

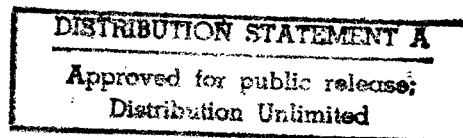
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20 September 1984

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



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20 September 1984

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

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IMPROVEMENT IN INVENTORY MANAGEMENT URGED

Prague SVET HOSPODARSTVI in Czech 19 Jul 84 pp 1-2

/Article by Dr Josef Naprvanik, CSSR People's Control Commission: "Ineffective Inventory Due to Poor Management"/

/Text/ The increased attention given recently by the central governing bodies to inventories, their volume in development, structure and level of use results in the first place from the fact that the planned tasks in this field have not been met in the long run. An ever-increasing part of the national income has been ineffectively immobilized in excessive and unused inventories on account of other well-founded public needs, as is shown by an evaluation of the situation in the CSSR as well as by international comparison within CEMA. The inadequate structure of the existing inventories very negatively affects the needs of industry, transportation, sales, services, etc. Although generally inventories are excessive, some commodities and items (especially raw materials, materials and products for broader or mass consumption) are in short supply and hard to find; in some organizations their scarcity limits production and other operations. A deformed inventory structure causes insecurity in the organizations about the material supplies for production, and very often results in unfounded, subjectively exaggerated requirements of overly large supplies of raw materials, commodities, production modules, etc.

According to a survey conducted by the CSSR People's Control Commission /VLK/ causes of the inefficient development of inventories in the CSSR are primarily the subjective shortcomings on the part of the management in both industry and government. These include unsubstantiated purchases and stockpiling of raw materials, commodities and production modules, parts, minor items and supplies, etc., without an identifiable need, and without coordination with production and other operations of the organization. The required and purchased goods are then not used by the production units in the organizations at all, or only partly, and become an idle stock. Neglecting the normalization of the inventory--even where it can be carried out, and should be a primary task--leads to similar undesirable consequences. These include major shortcomings in cases where personal monetary incentives are involved: manipulating the inventory and its use, and especially the irregularities in giving bonuses and awards based on statements which speculatively distort the inventory figures at the end of a 3- or 12-month period. Another shortcoming is a one-sided use of computers, solely for simple recording of inventory stocks. The computers are little used

to obtain data important for better management and operative decisionmaking toward efficiency and maximum usefulness of inventories. Analyses of the turnover and use of inventories are not even made for the purpose of finding out ways to reduce and use it more efficiently. Here belong also an inconsistent and superficial rejecting of unused inventory resulting from poor management, and slowness in putting the assorted goods back into use.

The objective causes of inefficiency in the development and use of inventories include the low effectiveness of the economic instruments leading to the optimalization of the inventory, which did not overcome the one-sided interest of the organizations to meet and secure only the quantitative tasks and indicators, especially in relation to the building of the disponible volumes of wages. The increase of inventory, especially in production, in also negatively influenced by the system which forces the purchasing organizations to claim the volume of their future purchases from the suppliers well ahead of time, at the point when they do not yet know their specific needs, when both the production plan and the assortment are not yet complete and clear; therefore they exaggerate their requirements. The result is excessive future inventory. Also inefficient is the planning of inventory by means of the index of obligatory time of turnover of inventory in days and of derived planned year-end balance of inventory. The effectiveness of using inventory as an asset for financing and borrowing was also substantially diminished by the planned and real decrease in the obligatory use of profits to cover the inventory in the working capital funds, as well as by shortcomings in using credit to bring about the desirable changes in inventories in the organizations.

One of the decisive causes of the ineffective growth of the total inventory stock in the CSSR is the mismanagement of the operative inventories of finished goods ready for sale. Although repeatedly urged to carry them, enterprises do not succeed; however, by making generally applicable raw materials, commodities and products more easily available, excessive inventories could be reduced, because the buyers would no longer see any need to exaggerate their requirements. It is necessary to say in this context that not even the supplying and selling organizations do the job for which they were established. Their capital assets base considerably lags behind the needs; their management is fragmented and often also subservient to the momentary needs of the directing organizations. The inventories of goods for sale carried by them and the level of their selling skills can satisfy the momentary needs of the buyers only slightly. This category of causes of the ineffective development of inventories also includes frequent changes in production programs in the organizations or even in individual plants, changes in the range of products, in technical design, in investment policy, fluctuations of foreign trade, etc., which should be taken into account.

Following the proposal of the CSSR VLK, formulated in cooperation with other central bodies, especially the SPK [State Planning Commission], FMF [Federal Finance Ministry], and SBCS [Czechoslovak State Bank], the CSSR Government in its Resolution No 74/1984 (and, following its intentions, also the governments of the CSR and SSR) assigned a number of tasks with the aim of removing the causes of the ineffective development and use of inventories. Some of these tasks call for action and some, especially in the system of management and influencing, are supposed to create the prerequisites for a lasting change in the management of the inventories in the CSSR.

To achieve in a single action the reduction and more efficient organization of inventories, especially the inventories of goods needed for production, the government in the first place made the management personally responsible for reducing the existing volume of inventories by consistent assorting, taking as a starting point the inventory as of 31 May 1984. Special attention is to be given to the materials and products to be consumed in the process of production; replacement parts, building, repair and maintenance materials and products; and raw materials and materials and products for multipurpose or general use. The directives of the SPK of March 1984, issued to secure the realization of this task, apply the mentioned assortment to both unfinished products and inventories of finished products held for sale. In this year primarily items with a non-existent or slow turnover rate which, besides, will not be needed in the production process within 1 year or within the next production cycle if it is longer than 1 year, should be assorted. It is the duty of management to define "no turnover" and "low turnover" in terms of time, according to the specific conditions in their organization.

In conjunction with this, the supervisory bodies have the duty of devising specific incentives so that the workers in organizations have a stake in the complete assorting and in the economical use of the assorted stocks. This government measure--a thorough assortment of the inventory, followed by successive reductions of the assorted stocks--is being applied in this way for the first time. It is supposed to prevent what was happening before: inconsistent, superficial assortments of only a small part of the inventory, or influencing subjectively the extent of the assortment either with a view toward financial-economic effects or for other motives.

In every organization it should be specifically ensured that from the 31 May 1984 statement it should be made clear which items are dispensed over a very long period, or which have a low turnover rate; this classification should serve as a basis for the evaluation of indispensability for the given organization. If these inventory items with no turnover or a low turnover rate will not be needed by the respective organization within 1 year, or within the next production cycle if longer than 1 year, they must be included in the lists of assorted unused inventories. Immediately thereafter it must be decided which is the most appropriate social use to which they should be put. The disposal or reduction of assorted surplus inventory should be terminated no later than 31 December 1985 for usable inventory, and no later than 30 June 1985 for unusable inventory. In this way losses resulting from reductions of unnecessary inventories, and from the liquidation of unusable inventories through sales to services, common interest groups, social organizations and the public, should be minimized. Personal material incentives for workers should also be secured for this stage to ensure the success of the task, in order to prevent economic losses as well as to secure the use and reduction of the inventories without delays.

To remove the obstacles in the way of a complete assortment of the unused inventories and their reduction, the conditions appearing during the reduction of inventories on the basis of the assortment as of 31 May 1984 have been also solved, especially as concerns the increased building of capital reserves and further related measures under the supervision of the central bodies FMF and SBKS.

The results of assortment of the unused inventories and the means of securing their reduction in the organizations must be summarized and evaluated for the use of both the management in the organizations and the supervisory body, within the time prescribed by the supervisory bodies (for the most part during August 1984).

At the same time, strict supervision over the process of assortment, the economic use and the reduction of unused inventory is being secured through administrative procedures as well as through the organs of the VLK. The results are to be reported to the supervisory organ; the central organ has to report to the VLK of the CSSR, CSR and SSR, according to venue, in October 1984.

Another measure to the CSSR Government secures the realization of the so-called target task in the industrial and building sectors directed by the federal and state governments. The target task is the full use of the reserves obtained by the assortment of inventories in 1984, valued at 5 million Kcs, the detailed breakdown is differentiated and apportioned down the managerial line. This target task means a reduction of the actual inventory as compared to the planned inventory at the end of 1984, by the amount allotted by the above-mentioned breakdown. It expresses the money value of the difference between the sum of the planned inventories of the sector, VHJ /economic production unit/ and the organization on the one hand, and the desirable target inventory on the other hand, at the end of 1984; it is to be understood as an "above plan" to be applied in connection with the assortment of the unused inventory. The SBCS will support the realization of this target task (by better interest rates for inventory-related loans).

The governmental measures to remove the causes, especially of a systemic character, of the inefficient management of inventories should be in force for the most part from the beginning of 1986. In the years 1984 and 1985 the central bodies have to detail and include them in respective directives. These measures change the moment in which the production will be considered as realized: no longer the moment when the goods leave the warehouse, but upon the receipt of payment from the buyer. This change will make it more difficult to manipulate the inventory statements and, along with other measures, will lead to a more realistic volume of inventories. In the plans of the middle-level management and organizations the inventories will be differentiated into those held for production and those held for sale, with different economic conditions for acquisition, warehousing and sale. At the same time these plans will be more accurately defined, especially by linkage to the needs of the production, sales and technical and material procurement. More accurate will be the indication of the daily inventory turnover in order to show more accurately the planned inventory according to the needs of the production, transportation, sales, services, etc; at the same time, this indicator is to be used to check the realization of the plan, as well as to motivate the substantive personal stake of workers in maintaining the standard inventory. Standard inventory in a 3-month period will be calculated as an average of three 1-month periods; standard inventory in a 12-month period as an average of four 3-month periods. In this way any misrepresentation of the records and of the volume of the inventory at the end of the 3-month periods and at the end of the year will become more difficult.



Further measures have to do with a substantial increase in the role of financing and credit for desirable development and use of the inventories. The planned share of working capital in inventory investment will be increased for 1985 up to the volume of the Seventh 5-Year Plan; in the following years it should be stabilized, but if the inventory in the organizations grows in an undesirable way, then the organizations will have to finance this increased inventory from their own means. The bank has the duty of restricting loans to the organizations for inventory and capital investment such that their increased requirements for operational and investment loans would not be granted if the trend of the inventory were undesirable. If an organization squanders its own financial means in an excessive, inefficiently used inventory, it decreases the sources of financing capital investment, without any certainty that the bank would complement the missing operating or investment funds by awarding a credit.

A more obvious economic stimulation must be applied to encourage the building and functioning of desirable ready-for-sale inventories in producing-selling, supplying and distributing organizations so that they can perform their proper function in society. These measures aim at facilitating seller-buyer relations by a substantial improvement in performance of ready-for-sale inventories which are to be held primarily of raw materials, commodities and products for more frequent or general use. The tasks of market research will be upgraded and more thorough, to prevent starting a production with no prospects of sale. Management and distribution of the supplies of the metallurgical and sheet metal industries should be enlarged in successive steps within 2 years to include the items which are not part of the national material balance, in order to improve the supply of these materials.

In the enterprise subdivision management the application of the buying limits will be obligatory, mainly as a planned mechanism which is supposed to ensure that ordering and purchasing of raw materials, commodities, products, replacement parts, etc., are realistic and strictly coordinated with the needs of the production, transportation, building, maintenance and repair units on the one hand, and with the financial plan (consumption, costs) on the other hand. Penalty interest for shortcomings in inventory management appearing on the income statement will lead to a mandatory lowering of bonuses and awards for those persons responsible. From 1985 the system of selling and disposing of the assorted unused, and especially surplus, inventory should be made more flexible. Central bodies of the sectors of industry have to secure the modernization and efficiency of management and supervision, especially of the distribution system and the buying-selling system in relation to production, primarily by using the new computing techniques within the framework of the complex programs of the improvement of management. The purchase and use of selected not-readily-available, imported and complementary raw materials, commodities and products, as well as of replacement parts for basic machinery, should be directed by the middle level of management, and of replacement parts at least by the organizations (until now it has been directed by the individual plants).

The central bodies have to detail and secure within the prescribed time the above-mentioned and other measures adopted by the government.

The effectiveness of all adopted measures is and will be contingent on the consistency of their application by the organizations, directing bodies and organs of the SBCS when approving loans. The common denominator which links most of these measures is the successive overcoming of the one-sided inclination of the organizations and their workers to realize only the quantitative tasks and indices of the plan, without considering the effects on the inventory. These measures strengthen the principle of consistency of the interests of society with the interests of an individual organization and its workers. This decisive motive has its origin in the fact that the immobilization of a disproportionate part of the national income in inventory for the national economy causes shortcomings in inventory management in the individual organizations. Therefore, it is no longer possible to appeal in a proclamatory way to a sense of right and to the principle of good husbandry. It is necessary to project immediately and to the greatest possible extent the shortcomings in the activity of organizations into this organization's and its workers' incentives and at the same time to set up facilities for the efficient and most productive use of inventory in conformity with the basic needs of production, sales, transportation, services and further operative bodies of the economic organizations.

12634

CSO: 2400/418

## CZECHOSLOVAKIA

### RESEARCH AND DEVELOPMENT CONTRIBUTION TO NATIONAL INCOME

Prague SVET HOSPODARSTVI in Czech 12 Jul 84 p 1, 2

[Article by Dana Pavlatova: "The Contribution of Scientific and Technological Development"]

[Text] The contributions of international scientific and technical collaboration include principally time, money, and other savings, higher-quality production processes, and the elimination of unnecessary duplication. The Czechoslovak national economy has developed broad-scale scientific and technical collaboration with the socialist countries, the largest programs being with the USSR, the GDR, and Hungary.

Czechoslovakia carries out around 13,500 research projects annually within the plan for development of science and technology. About 50 to 60 percent of these projects are carried out with the aid of international scientific and technical collaboration, which contributes 500 to 800 million korunas annually to our economy.

Expenditures for scientific and technological development represent about 3.8 percent of the useful national income. There are around 2,300 bilateral projects annually within the scope of international scientific and technical collaboration, and around 900 multilateral ones. Annually around 3,700 items of technological documentation are shared by Czechoslovakia with the CEMA member states, while we receive around 4,000 such items from the member states.

The basis for international scientific and technical collaboration within the Seventh 5-Year Plan is the Plan for Multilateral Integration Measures, which includes 11 problems, and the plan for selected bilateral programs of scientific and technical collaboration, which contains 58 topics which are also incorporated in the state plan for scientific and technological development.

The Plan for Multilateral Integration Measures includes research, development, and long-range projects connected with the construction of a magnetohydrodynamic electric power plant, the development of new and effective methods of converting solar, chemical, geothermal, and wind energy into electrical energy, and the perfection of existing and development of progressive new technologies for energy-demanding production processes. Other problem areas include the

development and productive use of new methods and perfecting of existing methods for the efficient processing of coal and shale to produce easily transportable fuels, protection of metals against corrosion, the development of high-productivity technological procedures and equipment for the production of powdered metals and products, increasing animal production using techniques, the development of industrial robots and materials-handling equipment for various branches of the economy, the development of promising methods of controlling production processes, the elaboration of standards for electrical-engineering parts, and special new materials and technical equipment for electrical engineering.

Machine building: Good results have been achieved particularly in international scientific and technical collaboration with the USSR in the development of industrial robots and materials-handling equipment. This has resulted in the production of prototypes of the Um-160 program-controlled materials-handling device for machine tools, and the MTL-10 industrial robot for moving castings. The most significant collaborating enterprise was VUKOV Presov, where a joint Czechoslovak-Soviet design and construction center was established. Within the program of multilateral collaboration among the CEMA countries special hydro generators, hydro motors, and geared pumps for pressures of 21 MPa were developed.

The chemical industry has successfully collaborated with the USSR in the area of polymer additives. Development of CD Antioxidant has been completed and construction is now under way on a production unit at the Duslo Sala national enterprise with a capacity of 12,000 tons annually. After construction is finished in 1985 cooperative deliveries of CD Antioxidant will be made to the USSR in the amount of 8,000 tons per year.

Power engineering: Within the program for multilateral collaboration a standardized system of diagnostics has been developed for the VVER-type electric power plant. This collaboration has saved us 10.2 million korunas' worth of foreign exchange. Also within this program a helium cryostat was developed in Czechoslovakia and built at the Chepos national enterprise; this device is intended for experiments with superconducting magnets as part of the program for a magnetohydrodynamic electric power plant. Good results have been achieved in collaboration with the Soviet Union on the optimization of compressor stations for gas transmission lines and in the design of a diagnostic system for the turbine equipment in gas lines.

Electrical engineering: In collaboration with the GDR the HCDV 54 and HCDV 52 have been developed, and will be built in cooperation with the GDR.

Computer technology: Development has been completed on the Czechoslovak EC-8450 and EC-9953 computers, and they have proved themselves in international tests. The former is a multiuser system for collection and preliminary processing of data, while the latter is a programmable device for the preparation of data on floppy disks. In the SAPR field within electronics design work has been completed on an AP system for designing LSI microelectronic circuits, an AP system for analysis and synthesis of digital equipment, and an AP system for designing asynchronous electric motors up to 400 kVA.

The woodworking industry has also collaborated significantly. The program of multilateral collaboration includes the complex utilization of wood raw materials. Successful research and development have been conducted on the utilization of laser technology for the economic cutting of wood and wood materials. In this contractual collaboration the GDR developed the laser head while Czechoslovakia produced the microprocessor-controlled coordinator. Other joint research in this area includes the development of technology and equipment for the dry manufacture of wood-fiber planks, protective substances for wood-chip planks, new types of drying kilns with automatic regulation of the drying process, new wheeled tractors for forest use, etc.

**Textiles and clothing:** This industry has carried out multilateral collaboration for the development and introduction of methods for using ultrasound to join parts of clothing and using high frequencies for gluing. The technology which has been developed through the collaboration of Bulgaria, Hungary, the GDR, Romania, the USSR, and Czechoslovakia is based on the thermoplasticity of the materials to be joined. We have conducted significant collaboration with the Soviet Union in the application of techniques of spinning without spindles. The USSR worked on the problems of continuous opening and preparation of fiber for the spindleless finishing machines, while Czechoslovakia took on spindleless weaving. Joint efforts also led to the development of technologies on a larger scale.

The leatherworking and shoemaking industry has concentrated in collaboration with the GDR and the USSR on the development of a semiautomatic PLK-0 line for shoe production using various methods of sole attachment.

The glass industry has developed extensive scientific and technical collaboration with the USSR and the GDR in the area of research and development of glass fibers for the electrical engineering and textile industries and the development of new packing materials of glass. Other projects included perfecting technologies and procedures in glass melting and the introduction of computer technology to production control.

**Construction:** Collaboration with the Soviet Union was directed toward the development of recommendations for computing earth dams and methods of building them and the design of continuous pre-stressed concrete bridges up to 63 meters. Contractual collaboration with the GDR concentrated on planning the scale of asphalt highway designs in terms of service life and saving materials.

**Transport:** In collaboration with the GDR we have successfully completed development of the chassis for a rail passenger car capable of speeds up to 200 km/hour. Designs for serial production of such a chassis have been approved; production has begun in the GDR and will begin in Czechoslovakia after 1985. Within the framework of multilateral collaboration, the results of research and development have led to the test operation of ASR OPW cars at the UVTD in Prague. For this purpose an M-4030-1 computer running the OS/EC operating system has been used. Czechoslovakia is acting as the principal investigator in this project.

Agriculture and the food industry have used multilateral collaboration to solve problems connected with increasing crop yields, selecting new varieties of agricultural plants, introducing highly efficient automated irrigation methods, creating new types of high-quality food products, etc.

Forest and water management has oriented its collaboration with Hungary toward preventing the penetration of agricultural chemicals into the ground water, using multilayer water filters to purify drinking water, and cleaning up oil-contaminated water.

Despite all these favorable results stemming from international scientific and technical collaboration, a number of shortcomings remain. In particular, the concept of international scientific and technical collaboration is not always reflected satisfactorily in economic collaboration. There is a gradual increase in higher forms of collaboration, such as contractual cooperation in science, and joint research and development centers. The solution of these problems could be aided by closer coordination of the plans for development of science and technology among the member states of CEMA, including the possibility of a division of labor in research and development. It is also necessary to intensify long-range planning and the concept of international scientific and technical collaboration and to make fuller use of the economic effects of this collaboration, specifically in the planning and application phases.

2641

CSO: 2400/408

## HUNGARY

### DEVELOPMENT, CHANGES IN PRICE SYSTEM DISCUSSED

Budapest HETI VILAGGAZDASAG in Hungarian No 31, 4 Aug 84 pp 34-36

/Interview with Bela Szikszay, chairman of the National Materials and Price Office, by Klara Makara: "Price and Limits"/

/Text/ The new enterprise leadership forms, national economic planning, market supervision, capital flow--the articles which have appeared thus far in our series dealing with the further development of economic guidance have put these areas under the microscope. It is hardly possible to give a ranking in this regard--what the more important or less important cornerstones of the mechanism are--but it is certain that both lay and professional public is watching with increased sensitivity what will happen with the price system, with the price level in the near future. We asked Bela Szikszay, chairman of the National Materials and Price Office, about this.

/Question/ Material interest is one of the cornerstones of our economic guidance system, and the income contained in the price is the embodiment of this for the producers. In addition, the price is one of the chief influences on buying-selling decisions in a regulated market economy. Can we expect more serious changes in connection with prices from the guidance side in the course of the further development of the economic guidance system?

/Answer/ One should not count on anything dramatically new in the area of prices. The reason for this is, in part, that we took the biggest steps early in the further development of the guidance system--especially since 1980--precisely in price regulation, and we cannot constantly be going beyond this. There is a conception or a direction for development--the world market prices--and this must be made into an operable, "playable," effective system. But I would mention two changes. One is that we must take steps in the interest of increasing the charting and encouraging role of prices. The essence of this is that we must develop a price system derived from world market prices with administrative prescriptions which are artificial to a certain degree in the direction of truly competitive prices. Where supply and demand are balanced we can free price formation of essentially all administrative restrictions. In Hungarian practice the path of the future is the solution called price club membership. But there also is another trend. As a result of the price level increases which have accelerated in recent years it has become necessary to strengthen the limits as well, especially when changing consumers' prices. So,

using an expression borrowed from political usage, the price system will develop in the years ahead as part of a two-front struggle. We must defend price changes supported from the side of competition relationships and efficiency, thus those aiding our development, that also include justified price increases. At the same time, we must limit or eliminate as much as possible those factors which in the course of past years have had an effect in the direction of excessive or unmanageable price increases.

/Question/ The costs of slipshod or disorganized work cannot become a price generation factor, according to political guidance. What will guarantee this?

/Answer/ If the competition situation improves and if the scope for the enterprises expands and their resources increase, then bargaining on the market will become stronger, the defenselessness of the customer will decrease and he will increasingly have equal rank, indeed become a factor fundamentally influencing supply behavior. The most essential guarantee that unjustified costs cannot be passed on is a market balance. We can permit prices free of administrative restrictions where the positions of the customer are strong. A few examples of areas where competition is sufficiently strong already, where they can brag of "price club member" enterprises, are the spinning industry, the leather and fur trade, glass manufacture and the photochemicals industry. It is true that the Forte factory does not have a domestic competitor, but it conducts significant capitalist export and consumption of its goods reacts flexibly to price changes. Thus, after freeing the prices, Forte actually reduced prices. It is characteristic of every price club member that it has considerable capitalist export, so it participates in sharp international competition. In this case the producer cannot develop in any other way, but only if he manages costs very carefully and does not increase his prices without justification.

As long as this balance is not general we must make use of supplementary tools, of legal limits, in order to hinder the passing on of unjustified costs. Such a tool is to improve price supervision, sanctioning price increases that we consider unjustified, a broad and more precise determination of the categories of dishonest prices and disproportionate prices. As the press also noted in the recent past, we have expanded the sphere for obligatory prior reporting of price changes for free prices. I would like to emphasize that these are only increased possibilities, we do not want to make use of them impulsively, because this would make the price system rigid. It would be best if price formation took place in the relationship of buyer and seller, thus remaining within the planned framework.

/Question/ What will be the long-range fate of the present "competitive price system" used in a part of the producing sphere? Will it die out? Or will it remain as a sort of "punishment for the bad ones"?

/Answer/ We have posted as a general goal the elimination of the so-called "export profitability limit." Up to now we have applied a rule that the profitability of domestic sales could be as great as the profitability level attained in the export of the enterprise. This had an effect opposite to our economic policy aspirations, because some of the enterprises deliberately impoverished their export palette and tried to export only their best products.



Of course this is a goal in the final analysis, but under our conditions we must do a very large volume of export to ensure the import necessary for our development, that will also gradually reduce our indebtedness. The national economic interest tied to the volume of export has continued to clash daily with the enterprise interest dictated by a restricted economy perception. We must resolve this. What we want to achieve is price movement within a band in which one side is the export price and the other limit is the import price, and the price can move between these two limits as a function of domestic supply and demand relationships. The difference between export prices and import prices is an essential difference; the capitalist world market export price develops under sharp competition relationships, because of discriminative measures in some cases it is a very depressed price due to the burdens loaded on it. It would be unrealistic to make it an exclusive standard, this would far exceed the capacity of the Hungarian economy. And the import price for the same product, increased by duties, cannot be generally used as the domestic price because in some areas this would make the standard of economy too low for the producers.

/Question/ When can we expect the export-linked producers price setting to be eliminated?

/Answer/ Next year. Up to now the competitive price meant two things for us. It meant that we brought the world market prices into internal economic decisionmaking, we made it an organic part of our thinking, it even shaped our thinking. At first we could not do this except by "borrowing" the prices from the capitalist competitive market; it is as if we used the world market as a stage setting for the price system. Now we must replace this with a real competitive situation. This does not mean that we are giving up the world market price principle, rather it means that we are bringing in real competitive prices. We plan to at least double the present competitive sphere in the course of 1985--about 12 percent of industry is now free of price generation restrictions--and to gradually expand it further. A situation in which a good three-quarters of the so-called competitive sphere of industry can conduct price generation free of administrative restrictions may realistically be expected to develop by 1987.

/Question/ On what basis can one expect an improvement in the competition situation within 3-4 years? Can one count on the development of domestic competition or rather on a strengthening of import competition?

/Answer/ In recent years we have taken measures--and we intend to do so continually in the future as well--which will lead to an improvement in the conditions for domestic competition. We eliminated a number of trusts, we made many factory units independent, so we resolved the monopoly situations which had been maintained organizationally. Many enterprises got independent foreign trade rights. In a broad sphere we relaxed the prescriptions limiting the production profile of the enterprises. These things have already improved the chances for domestic competition. We do not regard the action taken in this area complete. If the enterprises working efficiently can increase their own resources considerably in the near future, if they make use of the greater scope and the increasing possibilities for the flow of production factors and

if import competition gradually strengthens also--according to our hopes--then I believe that it is realistic to presume a real improvement in the competition situation in the next few years.

/Question/ And what about those who do not go into the "competition sphere," the sphere of free price formation?

/Answer/ There will be more restrictions for them, because in some way we must transmit those requirements which are natural in the competition sphere. It is not possible for an economy to function in a number of different requirement systems, differing radically from one another. These enterprises will calculate the import acquisition prices--thus the prices for materials, typical parts and semifinished goods--at the capitalist world market price; this will determine their cost levels. Price controls will be stronger for them, so that this cannot simply be passed on one-for-one when products leave them. If their profitability is at least six or nine percent they will be obliged to report any intention to raise prices. In this sphere--in agriculture and elsewhere--we are also prescribing that if, for example, there is an increase in the price of primary materials, what proportion of this they can calculate in their own sales prices--for example, they might pass on 70, 75 or 80 percent, the rest they would have to manage with.

/Question/ If they come to the Price Office with a request that they want to increase the price of some part, for example, but that in this way the manufacturer would be interested in eliminating a shortage, and thus the market would come into balance, what will your reaction be then?

/Answer/ We want to use the possibility of raising prices to create a balance. We would put the case mentioned in the sphere of justified, or at least temporarily justified, price increases. But let me add something. To do this the enterprises must have a maneuvering possibility and free resources so that there will be something to regroup to an area promising greater profit, so that the price increase will stimulate an expansion of supply. If they do not have this--and today the possibility of this is at least limited--then we cannot permit a price to be increased with nothing more, because the danger exists that the higher price will stabilize.

/Question/ So a justified price change does not mean justification simply from the costs side.... But the "costs" concept itself is changing too.

/Answer/ We want to change the mechanical use of costs in price formation too. It is our view that this economic guidance system should include a system of calculation which takes direct costs into account in the price of the various products but leaves the enterprises the scope to maneuver with the general (overhead) costs. We call this economic calculation, in the course of which a smaller or larger proportion of the general costs are calculated for each product depending on the market relationships and the price level. Of course, we cannot permit the domestic user to bear all the overhead with nothing of it calculated in the export price. This would make the domestic price level artificially high and create external competitiveness by a ploy. We may be talking about temporary maneuvering--used in the interest of getting on a market or staying on a market--but this could mean a lot from the viewpoint of the success of an enterprise.

/Question/ The link between producers' prices and consumers' prices is loose at present. How do you intend to strengthen their movement together?

/Answer/ This statement is unfortunately true, even if we consider that we have taken very significant steps in regard to consumers' prices, especially since 1979. But these have not meant much more than realizing in domestic prices the substantial changes which have taken place in the world market prices. Thus the situation in the area of the separation of producers' prices and consumers' prices has not deteriorated, but it has not improved very much either.

The directions for change here are various. We would like it if in the longer run a larger part of the social net income were realized in the form of a turnover tax in consumption than has been the case. On the other hand it is also desirable that there be a concurrent movement between producers' prices and consumers' prices in a characteristic way; this is a condition for making the price system more flexible. But to do this we must increase the role of the turnover tax; it is not possible for several hundred turnover tax keys to tie the producers' prices and the consumers' prices together. In essence four turnover tax keys with normative prescriptions would create this link between producers' prices and consumers' prices.

It is possible that in the longer run there would remain essentially two categories for consumers' prices--a free price and a maximized price--and we will increase the sphere of free prices further. It can be imagined that the share of the free price form in retail trade, now representing 53 percent, will increase to 70-75 percent by the end of the decade. This would increase the flexibility of the price system. We are talking here about a process which includes price increases and price reductions, in smaller number but of tangible magnitude. It is also a condition that the balance of supply and demand be characteristic, or that it be capable of developing. So we are proceeding gradually, with great circumspection, and since this balance is only partial today I believe that the next 1 or 2 years will not be the period when we can take major steps toward making the consumers' prices more flexible. But we must use this period to create the conditions for a link.

/Question/ I believe that if we hold back an increase in the consumers' price level while producers' prices and costs increase then the developments of producers' prices and consumers' prices will again deviate from one another.

/Answer/ Yes. But this is already the 3rd year when the increase in the consumers' price level has been around eight percent per year, and with this Hungary is one of the countries in Europe showing the greatest increase in the price level. If this eight percent meant only that the consumers' price supports were being reduced and that we were approaching the justified expenditure, the world market price ratios, then this would be enough to take major steps. But it cannot be said that every price increase in recent years has had an effect in the direction of this approximation. There were steps we were forced to take; sometimes the price tool was used to recover buying power which had flowed out in an unplanned manner. We certainly must eliminate such things.

/Question/ What are the possibilities or tools for keeping a grip on the consumers' price level? Has it been proposed that the price increase be counterbalanced with tools outside of price policy--for example with inflation wage supplements?

/Answer/ I believe that one of the important characteristic aspects of the economic policy of the years ahead will be a reduction in the rate of increase in the price level. I think that if we could moderate the present annual increase in the consumers' price level of about eight percent to five-six percent within the next 2-3 years we would satisfy the just social expectation that prices should not become rigid, that the enterprises should be interested in bringing new and good things to the market, but that a limit on the increase in the price level should be realized. Such a price policy is part of starting a noticeable increase in the standard of living. An increase in wages and salaries of seven-eight percent--on the basis of increased performance--might go with an increase in the price level around five-six percent. Under such circumstances we could protect our social achievements and a slow but noticeable improvement could begin in the important indexes of the standard of living, an improvement of a magnitude which could be guaranteed among active earners by virtue of performance. So I think that the tolerable degree of inflation in the mid-1980's or in the second half of the 1980's will be around five-six percent.

Holding back the rate of price increases will require great efforts and a coordinated economic policy, among other things appropriate earnings regulation and an appropriate budgetary system. In sum what is required is a regulatory system which strongly encourages an increase in supply, because in the final analysis the fundamental condition for stopping inflation is a balance of supply and demand.

/Question/ Your position is surprising, because earlier I have heard voices according to which we must be resigned to it--a higher rate of price level increases will accompany the further development of the mechanism. You are promising a slowdown.

/Answer/ I have formulated this as a requirement which can be met, indeed will be met. As a person in a responsible position in the area of prices I say that if there is not a further deterioration in international economic relationships we can and must achieve a regulatory system which makes this possible. For my part I consider completely erroneous and unacceptable any position which ties a renewal of economic reform with accelerating inflation.

The price level development outlined includes the requirement that we should not be forced to incessantly devalue the forint compared to foreign exchanges. There is a realistic chance for this. In practice the extra performance, the improving structure and improving competitiveness could produce the conditions for it, because this will make it possible to realize in the sales prices of our products the price increases which affect us and pass them on in export. This will require that our goods be modern, that we react quickly and adapt well to the needs. I am convinced that there are ample possibilities of this sort in the Hungarian economy. If we can shift the emphasis in economic policy to production and management then we will not be forced to deal so much with changes in distribution.

LAKE BALATON THREATENED WITH SLOW DEATH FROM POLLUTION

Helsinki HELSINGIN SANOMAT in Finnish 7 Jun 84 p 20

[Article by Antti Vahtera: "Hungary's Lake Balaton Threatened by Slow Death"]

[Text] The future of Lake Balaton has become the hottest disputed question of environmental policy in Hungary. The lake, which has the largest surface area in Central Europe, is slowly dying. Its fate is not yet sealed finally, as Hungarian officials have begun to take steps to save the lake.

The lake is the most popular tourist sight and the country's most important recreation center, where nowadays more than a million people visit on weekends. It is an important source of drinking water for hundreds of thousands of people and of fresh water for agriculture. For this reason, the care shown by the Hungarians about the fate of the lake is very understandable.

The lake is threatened most noticeably by eutrophication, which appears especially in the Bay of Keszthely at the west end of the lake. Algae have replaced water vegetation in many places, and during the past two decades their amount has increased 300 times. A greenish layer on the surface of the lake tells about the eutrophication.

Eutrophication is caused mainly by fertilizers, of which an average of one and a half million tons per year is spread on fields surrounding the lake. More than a hundred cattle farms located within the lake's drainage basin are also a bad source of pollution. About one sixth of the pollutants received by the lake originate with households.

Hungarian environmentalists have divided the lake into four zones on the basis of degree of pollution. Although the oxygen content and pH values are approximately uniform, the contents of phosphorus and sulfate clearly increase from east to west, reaching their peak in the Bay of Keszthely.

There are 17 waste-treatment facilities on the lake shore. In order to upgrade them, 300 million forints (about 60 million markkas) has been set aside, and the plan is to build new sewer lines during the next five years to carry waste waters elsewhere and lessen the load on the lake.

One hundred million forints will be used to clean up the Bay of Keszthely by removing and treating sludge. Already six million cubic meters of sludge have been removed from the west end of the lake.

Removal of phosphorus from the waste waters entering the lake is considered the most important task. But Hungarian officials have not yet reached unanimity on how this should be accomplished. It has been suggested that lake-shore residents use phosphorus-free washing materials, but their high cost has aroused opposition.

The most important river entering the Balaton is the Zala, which enters the Bay of Keszthely and collects its waters from a wide area of western Hungary. It is also a bad polluter, that brings into the lake every day almost 120 kilos of phosphorous and is its biggest depositor of nitrogen. In addition, it brings large amounts of eroded soil into the lake, so that the Bay of Keszthely is rapidly filling up with sediment.

Earlier, the Zala emptied into the "Little Balaton," which formed a kind of continuation to the Bay of Keszthely. As a result of regulation of waterways begun already in the last century, the Little Balaton became a swamp. Now officials intend to restore the old arrangement, at least in part, by raising the surface of the water and flooding an 80-square-kilometer area of dry land which once formed part of the Little Balaton.

In the same connection, two unique water basins, separated by dams, will be built, the purpose of which is to prevent continued sedimentation of the Bay of Keszthely. After the Zala river has deposited its sediment in the first basin, the water will be led through a huge layer of reeds into the second.

#### West Germany's Largest "Waste Plant" Soon In Use

By the mid-point of this year, the West Germans intend to put into operation the Buschhaus coal power plant, which is located in northern part of the state of Lower Saxony, near the border of the GDR. Rarely has any industrial plant aroused such violent opposition from so many quarters.

The reason is that at a time when West Germany's forests are dying from acid rain, the Buschhaus plant will contribute a strong dose increasing that scourge. It will be the dirtiest plant in the Federal Republic, emitting into the air 18.6 tons of sulphur dioxide--the main cause of acid rain--per hour. The plant's gigantic smokestack, 300 meters high, guarantees that the pollutants will spread far into their own country and neighboring countries.

West Germany's Greens, along with various environmental protection organizations, have made furious protests against the new plant and are now appealing to their foreign ideological kinsmen to prevent it from being placed in use. But protests have come also from an unexpected source: the GDR, which fears that pollutants will spread to its area, from West Berlin, where all parties have joined in opposition, and from the Christian Democratic women's and youth organizations.

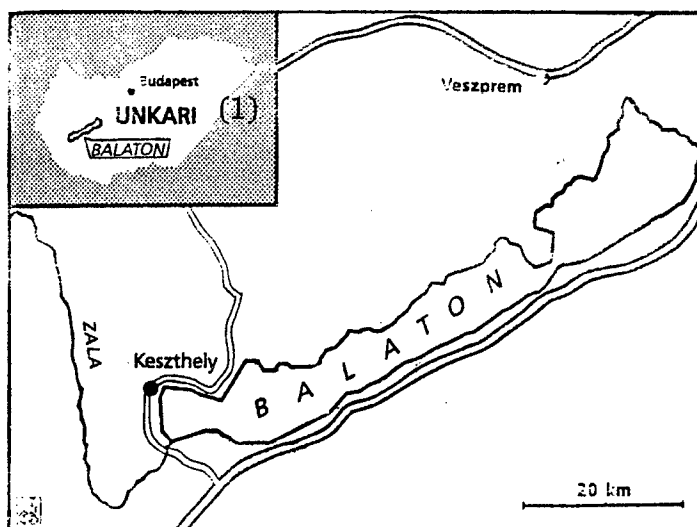
The Buchhaus power plant utilizes local "salt coal," which contains ten times as much sulphur as Rhineland brown coal. It would release 125,000 tons of sulphur dioxide into the air annually, which is 41 times the amount that a new law will permit for power plants built in the future.

In addition, the economic profitability of the plant is very questionable. The plant will produce only 0.4 percent of the Federal Republic's electricity, and Lower Saxony has quite enough of it in any case. The effect on employment is also somewhat small.

There are fears that placing the plant in operation will have negative political effects as well. It will hamper the efforts of the Bonn government to get GDR officials to clean up their own sulphur pollution, which is ruining the air of West Berlin in particular.

Prime Minister Albrecht of the state of Lower Saxony has been forced into a difficult situation. It is difficult for him to give up the plant, which has been under construction at great cost for many years, as a matter of prestige. And sulphur-elimination facilities are also expensive--DM 210 million to build them and 50 million a year to use them.

Albrecht has proposed a compromise solution, according to which the sulphur eliminators would be constructed, but the plant would be started up before they are ready. In the meantime, the use of the two neighboring plants would be restricted so that the sulphur burden in the area would not increase. Opponents, who are speaking about a real environmental scandal, will hardly be satisfied with this kind of solution.



(1) Hungary

## HUNGARY

### REFORM OF BANKING SYSTEM VIEWED

Budapest MAGYAR HIRLAP in Hungarian 4 Aug 84 p 6

/Article by Laszlo Body, managing director of Hungarian National Bank:  
"Debate on the Banking System: Possible Measures"/

/Text/ The development of the economic management system encompasses the institutional system as well, and within this, the most frequently debated issue is the future development of the banking system.

The subject of the debate has unfolded around the one vs. the two-level banking system. Interestingly enough, there is very little input from companies, particularly the kind that would subjectively, or from a theoretical point of view, criticize the current centralized banking system, and would demand the establishment of a kind of competitive banking system. Ideas on the banking system could be satisfactorily implemented in accordance with the further development of the economic management and taking interrelationships into consideration. Furthermore, one has to weigh the risks of reorganizing the banking system, to consider international relationships and the technical difficulties of reorganization. A costly (as to labor force and investment) implementation of a new banking system will certainly have to be avoided.

One or two-level system?

Taking into account the above interrelationships attention should be given to the role and opportunities for monetary tools in the economic management system and depending on these it could be determined what kind of banking system would serve the goals best. Opinions on this subject are frequently one-sided, short-term and long term goals, yet to be examined, are often mixed. Sometimes suggestions for final solutions simply show a lack of information, making them useless. It is encouraging that the exchange of opinions is more and more focused on short-term range, concrete steps, and plans are more apt to consider current and future realities.



Just as there is no unequivocal, adaptable example for today's and tomorrow's economic management system, there is not any for the banking system, either. Therefore we follow the new methods of the socialist economic management and its institutional system has to be modeled after it. It seems certain that the functional and organizational rigidities of the centralized banking system have to be loosened. This process did start a few years ago, but it is also clear that the multilevel banking system of other countries does not offer us a straightforward solution.

The new bank development program, to be implemented in a couple years, is the result of thorough considerations. It spells out the necessity for strengthening both the reserve and credit functions of banks. To achieve this, the two functions within the Hungarian National Bank will have to be separated; a credit branch will have to be created and indirect reserve tools will have to be gradually implemented in its management. The credit branches of banks will have to take up the nature of business partners in their dealings with companies. The Hungarian National Bank is planning the establishment of subsidiary financial institutions--fulfilling special banking functions (innovations, ventures) and one of them would become the bank of cooperatives--and companies under the jurisdiction of the Budapest City Council.

The several existing banks and financial institutions (AFB /State Development Bank/, OTP /National Savings Bank/, Hungarian Foreign Trade Bank) would expand their sphere of activities: above all they would become more active in channelling tools and resources in financing developments.

Various recently established venture capitals and financial resources as well as financial resources connected with cooperatives could play a larger role in moving capital, if their activities were integrated into the banking system and they were to function both legally and formally as financial institutions. A legal reorganization has to take place which--while providing basic, uniform rules--would also allow for differences stemming from the various situations and tasks of these institutions.

Currently it is still a debated issue as to what extent and in what circles a free choice of a bank should be permitted. For this end both theoretical considerations and the all too practical aspects have to be coordinated.

#### The necessary development

Today the Hungarian National Bank has a monopoly on handling checking accounts of companies and cooperatives as well as providing them with short term credits. It seems that in the short run this leading role in monetary management is justified, allowing however small companies

and cooperatives, and in certain areas medium-sized business outfits to choose other banking partners freely. A wider range of cooperation in development credits and other development finances could be established with several banks and financial institutions, to a degree that is made possible by the financial resources of these institutions. So apart from the Hungarian National Bank alternative possibilities would be created to finance developments and ventures, and for stockmarket and other banking activities.

According to the above--to use a capitalist comparison--the money market would be concentrated in the National Bank, while all banks and financial institutions would participate in the investment market.

The checking account system in the National Bank is mechanized and working well. Other financial institutions--if they wish to do so--have to organize this activity, which means investment in equipment and finding qualified personnel--both being substantial obstacles. It is important not to let the money supply slow down because of structural changes, as just one day of delay can create a demand of several billion forints.

According to what is outlined here the various banks and financial institutions can provide small and medium sized companies with a full range of active and passive bank services, as well as establish themselves as active banking institutions by drawing to themselves available investment monies, issuing stocks, transferring accounts or refinancing notes.

The further development of the banking system and the expansion of the sphere of banking activities presupposes the reserve bank's wider range of authority, more functions and greater effectiveness. This requires close cooperation and flow of information between the reserve bank and other financial institutions. The next task is the formulation of conditions and methods of the reserve bank's management tools (reserve ratio, refinancing, deposit vs. borrowing power, credit limit or credit increase, interest rate). An important factor to consider is the equal effectiveness of the reserve bank's ruling toward the various financial institutions and the credit branch of the National Bank.

Further development of the banking system can only be successful if it is able to channel material resources to the most effective areas; if it can create a balance on various markets between buying power and goods and in this way guard the value of the forint. For this we need objective debates, arguments and original suggestions.

12366  
CSO: 2500/533

PLANNING COMMISSION PRESIDIUUM TAKES UP ECONOMIC RESTRUCTURING ISSUE

Warsaw RZECZPOSPOLITA in Polish 5 Sep 84 pp 1, 2

[PAP report]

[Text] A meeting of the Planning Commission Presidium chaired by Manfred Gorywoda, deputy premier and chairman of the Planning Commission, was held on 4 September to discuss the goals of the economic restructuring program.

It was stressed during the meeting that this planning study on the restructuring of the Polish economy in line with the decisions made by the 14th Plenum of the PZPR Central Committee is a vital part of work on the drafting of the National Socioeconomic Plan covering the period 1986-1990 and the long-range plan covering the period through 1995. The primary objective of the proposed structural changes should be an improvement in the performance efficiency of the economy as a whole, something which must be accomplished in order to overcome the barriers standing in the way of our country's future economic growth. The restructuring program should identify courses of action which would bring about a reduction in energy and materials intensiveness, a reduction in production costs, an increase in the social productivity of labor, the fuller and more efficient exploitation of indigenous resources, and the promotion of industries serving as vehicles of technological progress.

Promoting the growth of our economy's export industries, a policy which should lead to fuller capacity utilization and better use of the benefits deriving from stepped up international cooperation, especially cooperation with the Soviet Union and the other CEMA countries, was deemed to be an extremely important criterion for judging progress toward the restructuring of the economy.

It was pointed out that long-range structural changes will be accomplished both as a result of the independent decisions of producers made on the basis of specific standards for rating performance efficiency and also as a result of decisions which, due to the scope of their impact and the amount of the investment funds that would have to be appropriated, will be made at the national level.

CSO: 2600/1250

COMMISSION MEETS TO ASSESS, RESOLVE PROBLEMS IN TRADE WITH LIBYA

Warsaw TRYBUNA LUDU in Polish 25-26 Aug 84 p 2

[PAP report]

[Text] The fifth session of the Polish-Libyan Mixed Commission was held in Warsaw from 20 to 23 August. The Polish delegation was headed up by Gen Div Wlodzimierz Oliwa, minister of Public Administration and Land Use Management, and the Libyan delegation was headed by Mohamed Obeid Shoukri, secretary general of the People's Committee for Municipal Services and Construction.

The participants in the session reviewed the current state and prospects for the future advancement of Polish-Libyan cooperation in the commercial and industrial fields, in the fields of construction, municipal services, science and technology, and legal and consular services.

Both sides praised the gains that have been made so far in this kind of cooperation. Special care was taken to make a thorough study of those areas where problems have arisen lately to hamper the further advancement of this cooperation.

Agreement was reached on specific programs, and decisions were made to pave the way for the active promotion of future cooperation in all of the areas which traditionally have constituted arenas for Polish-Libyan cooperation. Problems of a financial nature having an especially important impact on the activities of Polish enterprises in the Libyan market were also settled.

The chairman of the Libyan delegation held talks with the ministers of finance and construction and the building materials industry and with a senior official in the Ministry of Foreign Trade.

At the end of the delegation's visit, Mohamed Obeid Shoukri met with Deputy Premier Zbigniew Szalajda. During this meeting both sides expressed their satisfaction with the climate and results of the Mixed Commission's fifth session and underscored their desire to work for the further active development of all-round cooperation between both countries.

CSO: 2600/1224

VICE MINISTER RATES REFORM IMPACT ON RAIL INDUSTRY

Warsaw EKSPLOATACJA KOLEI in Polish No 6, Jun 84 pp 137-141

[Excerpt] The PKP [Polish State Railroads] is embarking upon the last phase of reform work. In previous years we informed our readers about the chief trends of the proposed changes. We believe, however, that recently there has been too little information on the subject with respect to the scope of the issue. In order to present a more authoritative and comprehensive explanation of the matter, editor Ryszard Olejniczak turned to Dr Adam Wieladek, undersecretary of state in charge of the reform process at the Ministry of Transportation, with a request to provide our monthly publication with information on the subject.

[Ryszard Olejniczak] In 1981 the idea to improve RKP efficiency originated in the transportation ministry together with work on reform of the national economy. Its main concept was the change from administrative management of the railroads through the DOKP [District Directorate of State Railroads] and the DRKP [Regional Directorate of State Railroads] to operational and professional management on the service levels. To what extent has this been fulfilled in the past 2 years?

[Adam Wieladek] The changes were introduced in stages. During the first stage, from 1 September 1982, the locomotive and railcar plants were granted new organizational regulations. On the basis of these regulations, the locomotive and railcar plants were removed from DRKP management and subordinated directly to the DOKP, granting it the authority to make decisions in personnel and fiscal matters. Electrical engineering departments were established in the railroad services, based on these same principles.

During the second stage--on 31 March 1983,--the DRKP was abolished, and on 1 April 1983 the management of the production units was to be carried out by regional rail distribution, road, construction, automation, and telecommunications departments.

At the same time, a significant amount of authority was transferred down.

As a result, not only did we gain a structure which allowed for management transfer to the service levels, but through the broadening of the scope of authority for the production units we also increased the staff role of the management. The final shaping of the division of authority demands still more time. We must not disregard, however, the fact that inasmuch as the PKP is an enterprise with specific features it can only carry out decentralized management within certain limits.

[R.O.] Many questions are being asked concerning the supply personnel with regard to greater self-management of the production units, and the increased role of the operational units. This is perhaps one of the reasons why up until now the organizational structure of this group has not been predetermined.

[A.W.] As a supplement to the changes implemented within the PKP organizational structure, new organizational principles are being prepared for the materials and technical procurement personnel. This is currently based upon the transportation minister's decree No 31 of 28 March 1983, dealing with changes in the structural organization of the Polish State Railroads, in which factory materials and technical procurement stores may be established by the chief directors of the district railway administration, in the organizational units of the state railroad department level, as organizational cells of these units. Insofar as changes in the organizational structure of the personnel are concerned, we are considering the gradual establishment, on the basis of already existing supplementary warehouses, of factory and rail network warehouses which would be of an interfactory character. Meanwhile, we foresee retaining the competent main warehouses which would specialize in specific materials on a wholesale basis. Subsequently, it will be necessary to issue organizational regulations for all types of warehouses. Based upon this, tasks, authority, and responsibilities will be assigned to them. The importance of this is to guarantee maximum distribution of the material surplus.

Efficient personnel operations, within the integrated system of computer data processing of PKP economic material management needs as a whole, play a considerable role.

[R.O.] The PKP absorption of the repair and construction facilities is a frequently questioned change. These changes are being viewed, among other things, as not being entirely consistent with the economic reform principles.

[A.W.] These evaluations are unjust. This was not absorption, but rather the voluntary merger of the repair and construction facilities with the PKP being carried out in accordance with economic reform principles. The consolidation was primarily designed to ensure the fulfillment of the largest number of repairs and services for the PKP transportation department. This resulted in the elimination of associations which had formerly included the enterprises of the support facilities and the railroad production and supply management. The operations of the units eliminated were taken over by the management of the rolling stock repair and construction facilities, railroad upkeep, and the appropriate operational offices tasked with increased authority.

Meanwhile, the individual factories within the railroad supply network were subordinated directly to the chief district directors. The former repair and construction facilities retained exceptional self-management authority.

The railroad support facilities finance their activities with sales revenues, employing regulated or contractual prices, and profits are distributed between the general management and the factory. In addition, the factories give the management 10 percent of fixed asset amortization, and 50 percent of the technology and economic development fund.

The support facilities obtain subsidies from the general management fund for capital expenditures, which are especially important for transportation demands since their own general management technology and economic development fund cannot finance such activity. The enterprises also obtain additional financing for activities which are important to the factory and its branches, with benefits accruing to the rail transport system.

In summary, we must state that the ZNTK [Railroad Rolling Stock Repair Shops], ZBK [Communal Construction Association], and the KZU have retained great autonomy. From an official point of view they have only forfeited their legal status.

[R.O.] The matters which you are discussing basically concern the PKP organizational structure. Under the reform premises, it is the financial issues which are important, while organizational ones only serve as a means for facilitating the achievement of maximum effectiveness.

[A.W.] Of course, although in the case of the PKP the operational priority is somewhat different than in a typical enterprise. The fundamental requirement is the guarantee of efficient transport for the public and the entire national economy, while efficiency remains a secondary requirement. Nonetheless, this is a matter which has particular significance for economic reform. During the ore-reform period, the financial complexities were of interest only to accountants. Today, this should be an important problem for working people and also for the PKP, despite the specifics which I have discussed. In order to explain this more precisely I will allow myself more time with this issue.

The PKP operates on the principles of full economic accounting. There are 92 units and factories in the railroad support system which operate on the basis of full internal economic accounting. The PKP, as a multifactory operation, carries out its fiscal policy on a self-financing basis.

The self-financing principle is based upon the fact that PKP expenditures are covered by revenues from transportation, industrial production, construction and assembly, as well as external budget subsidies which compensate for the loss of influence brought about by the constantly decreasing tariff rates. The enterprise receives external subsidies for commercial shipments as a supplement for each zloty of revenue. In 1983 those payments were 1.74 zlotys for passenger transport and 0.40 zlotys for commercial shipments. The revenues for transportation and external subsidies are accrued on the general

management level. In relation to this, the DOKP expenditures are financed by internal subsidies, while the support facilities finance their expenditures through sales.

The general management is establishing a development fund. It is to be distributed among the transportation units to finance capital expenditures and supplemental funds for financing working capital. The support facilities are establishing a development fund from a portion of their revenues and depreciation fund. In addition, they can obtain subsidies from the general management development fund when the factory makes investments of a developmental nature, since their own development capital does not assure the financing of such a capital expenditures program.

A reserve fund and a workers' profit-sharing fund will be established from the remaining enterprise profits. These funds would be established by the general management within the scope of transportation and railroad supply services.

The factory social and housing fund, as well as the technology and economic development fund are established upon general binding principles. Furthermore, by virtue of specific regulations, allocations for repairs, shipping and handling charges to be included in the cost burden are being established in the enterprise.

The development fund is the basic source for capital expenditures financing. The enterprise also has the option of using bank credits for financing those expenditures recognized by the bank as preferential. The purchase of rolling stock, expenditures for electrification of rail lines, and expansion of the repair and operations facilities belong to this group. Moreover, the PKP is authorized to finance the budget subsidies of certain large infrastructure expenditures. We should mention that obtaining subsidies to finance capital expenditures necessitates annual negotiations with the minister of finance.

[R.O.] You stated that the support facilities finance their activities through sales revenues. This would indicate that PKP transportation units remain the normal commercial partners of the PKP despite the fact that they are part of the enterprise.

[A.W.] This can be defined in the following way. The merger of certain enterprise departments working in the transportation sector with the PKP did not really disturb the economic relations among the organizations. An accounting system was adopted which took the reform premises and the self-financing obligations of the support facilities into consideration, whereby the support services would be fully reimbursed by the transportation departments for their production work and services. The factories employ contracted and regulated costs in these calculations, which in turn guarantee them a self-financing source.

At the same time, the transportation units perform services for the support facilities which are based on full reimbursement. These include, for example,



the leasing of railcars or the use of locomotives, equipment and telecommunications and telegraph facilities. Admittedly, exemptions for certain services were allowed, but only in cases which included important capital investments or repair services being performed for the transport units, and which should be contained in the negotiated agreements.

Because of the obligatory and centralized system of the collection of shipping charges and the settlement of shipping revenues at the general management level, the rule is that work and services performed jointly by the transport units are gratuitous, with the exception of telecommunications services. The mandatory system of accounting among the units and factories allows for correct and actual cost accounting and discipline insofar as external expenditures are concerned.

[R.O.] From what you have said it appears that the support facilities have retained a great deal of their self-management. For example, in the fiscal area the rail transportation units appear somewhat incapacitated as compared with the support facilities.

[A.W.] In reality, the fiscal powers of the PKP transport units are significantly smaller and must remain so in accordance with railroad regulations. Even here a considerable amount of authority has been transferred down.

It is not possible to implement full fiscal independence for the units on the DOKP level. The transport units pay out for transportation services and record the costs incurred. As a result, the general management provides the district management with funds. Units subordinate to the DOKP operate under principles of internal restriction of economic settlement of accounts.

In order to allow them to accomplish their objective plan, the units have been granted economic and fiscal powers to make delivery, work, and service agreements, to record unincurred shortages and damages, and to authorize reductions in repayment of outstanding debts. Moreover, they received permanent authority to exercise control over payment of accounts and calculation of compensation, and other amounts due to workers, as well as control over payments from station funds.

Bookkeeping and accounting operations are carried out directly by the units subordinate to the DOKP, or temporarily by the local offices of the DOKP finance department.

Work is also continuing on the transfer of authority for financial accounting on all unit levels involved in internal and restricted economic accounting. The principles of separate expenditures recording for each organizational unit are being applied irrespective of the organization involved in the financial accounting procedures.

Assurance by the DOKP supervisory units to provide the production units with

information on costs incurred creates the opportunity for carrying out analyses for shaping the unit expenditures, as well as evaluating the effectiveness of activity relating to planned proposals. The management was obligated, within the framework of fulfillment of departmental management concepts, to assign objective tasks and allocate funds for their accomplishment to the subordinate units.

Principles and organizational requirements were formulated in the finance department in order to calculate the expenditures of units directly subordinate to the DOPK. As a result, principles essential for intensified self-financing within the PKP were established, as well as a broadened scope of interest in economic results achieved by units directly subordinate to the DOKP. Evaluations of the units within the PKP transportation sector were fulfilled, taking into consideration the economic criteria, gradual improvement in the incentive system which prompts the units and personnel to improve quantity and quality of work output (while taking costs into consideration).

[R.O.] The economic reform has brought about considerable changes in the planning system. Far-reaching planning decentralization has taken place. How was it possible to account for this trend under the specific PKP conditions?

[A.W.] In accordance with the decisions granting it status as an enterprise with specific significance for the national economy, the PKP is developing 1-year, 5-year, and 10-year plans. The planning system has been adapted to the modified organizational structure which underwent fundamental changes in 1982-1983.

The prospective PKP development is drawn up exclusively by the general management. The units subordinate to the general management participate in the development of this plan by submitting proposals, carrying out partial analysis of specific topics, consultations, opinions, etc. The comprehensive socioeconomic plan, namely the 1-year and 5-year plans concerning PKP transport activity, is carried out by the PKP, while the DOKP, nonmanagement units, and scientific and research facilities draw up, on the basis of tasks and measures conveyed by the general management, the plans for their work, which is of a binding and informational nature. The plans are a result of the comprehensive PKP plan.

The selected railroad support facilities develop independent 1-year and 5-year plans, together with general management agreement, on production, work and services, deliveries of materials, and centrally purchased machinery and equipment. The agreed-upon scope of production, work and services, and deliveries constitutes the tasks linking selected rail support facilities. In other words, this plan originates in the ranks.

Taking into consideration the division of services, the DOKP's transmit to subordinate units which are on a limited economic self-financing basis only those portions of the annual socioeconomic plans which are to be accomplished.

Consequently, these units obtain the plan from above. Because of the plan, units subordinate to the DOKP, besides receiving real tasks, raw materials, rolling stock, and machinery and equipment, also receive funds for overhead and basic production costs. Compensation funds and material costs are also included in the expenditures. The unit cost was also implemented in the plan for the first time. This represents an index which measures the work of a given railroad facility, and which will also be included as one of the evaluation criteria.

Therefore, significant changes which are in accordance with reform trends will be implemented in the PKP planning system. We are certain that these matters should be treated as accessible and requiring improvement.

12229

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## RAIL HAULAGE OF COAL IN 1983 ANALYZED

Warsaw EKSPLOATACJA KOLEI in Polish No 6, Jun 84 pp 141-144

[Article by Ludwik Palarz and Boldwin Spyrka: "Some Coal Haulage Problems in 1983"]

[Text] The coal industry was the first branch of the national economy to register an increased coal output since the economic downturn. This is demonstrated by Table 1 (in million tons):

Table 1	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u> <u>(plan)</u>
Output	201.0	193.1	163.0	189.3	191.1	190.5
Total haulage	198.4	196.6	161.0	184.7	188.0	191.4
By standard-gauge rail	160.5	161.8	131.3	153.8	155.2	158.0
By narrow-gauge rail	1.8	1.7	1.6	1.5	1.4	1.4
By road transport	11.9	10.9	7.6	6.8	5.6	5.6
By Mine trams and other transport means	24.2	22.2	20.5	22.6	25.8	26.4

Nearly 98 percent of total output was hauled out of the mines by all means of transportation; only slightly above 2 percent was used by the mining industry itself. Hence haulage, no less than the output itself, is a major link in providing coal for the domestic use and for exports. Coal haulage is the prime task of rail transport. In 1983 it amounted to over 38 percent of all the goods carried over the state railways network [PKP].

Moreover, 83 percent of the total coal haulage is by rail. That means increased coal haulage in total PKP haulage--in 1979, for instance, it amounted to some 34 percent--as well as increased use of rail transport in total coal haulage, about 80 percent in the same year. It was the result of a sharply diminished share of coal in road transport and a diminished share of haulage by narrow-gauge railways. From mid-1982 on, increased coal output and an increased use of rail transport in coal haulage, coupled with simultaneous reduction of hauling capacities, brought difficulties in moving coal out of the mines. Because of the fundamental significance of rail transport for the

coal-mining industry and for the consumers, the problem was discussed at the Economic Commission of the Council of Ministers, which on 7 July 1982 issued Decree No 43 on improved hard-coal transportation in the second half of 1982. To provide the necessary conditions for efficient transport of coal from the mines and yards administered by the Ministry of Mining and Power, on 28 February 1983 the Presidium of the Government issued Decree No 11/83 on haulage of hard coal in 1983.

The above-mentioned decisions assigned various duties and rights to the ministries involved in efficient coal haulage.

Coal haulage by all means of transport in consecutive months of 1983 is shown in Table 2 (in 1,000 tons).

Table 2

Month	Standard- Gauge Railways	Of Which Holidays	Narrow- Gauge Railways	Road Transport	Trams, etc.	In Which Steel-and Sulfur Mainline	Total Haulage
Jan	13,678	1,330	140	406	2,090	95	16,314
Feb	12,074	1,067	113	406	2,013	78	14,606
Mar	13,791	1,130	134	504	2,303	151	16,732
Apr	13,075	1,055	112	311	2,073	170	15,571
May	13,493	1,343	85	350	2,193	182	16,121
Jun	12,573	1,309	96	365	2,164	177	15,198
Jul	12,957	1,780	79	316	2,091	180	15,443
Aug	13,269	952	104	419	2,272	190	16,064
Sep	11,949	884	109	602	2,191	207	14,851
Oct	12,679	1,451	129	586	2,194	206	15,588
Nov	12,930	1,433	147	638	2,166	175	15,881
Dec	12,750	1,280	162	677	2,080	127	15,669
Total	155,208	15,014	1,410	5,590	25,830	1,940	188,038

The 1983 quotas in coal haulage were surpassed in the first quarter, mainly because of the efficient rail transport service to mines. The PKP fulfilled 25.4 percent of its annual quota in the first quarter, with 24.9 percent fulfillment. The daily loading quotas of 500,000 tons of coal were frequently exceeded. The positive results in coal haulage by the PKP standard-gauge railways were achieved, *inter alia*, by further improved turnover of coal cars back to Silesia and the increased use of shuttle route shipments (on the average, in the first quarter of 1983, every workday 249 uniform trains of 1,601 tons average net weight were put in service, hauling an average of 298,000 tons of coal daily). In April and May 1983 the favorable situation in coal haulage was maintained. Standard-gauge railways carried 26,468,000 tons, including 26,106,000 tons from Katowice Province, i.e., 686,000 tons more than called for in the operative plans.

To sum up, during the first months of 1983, 65,051,000 tons of coal, or 1,340,000 more than provided for by the plan, were hauled from Silesia by rail.

Coal inventory in mine dumps decreased considerably, by 930,000 tons compared to their level at the beginning of the year.

From June 1983 on, the quotas in rail haulage of coal were being fulfilled under much more difficult conditions, mainly because of intensified track repairs and passenger rail traffic, the fall peak traffic, and--as it usually happens at that time of the year--protracted detention of coal cars by other railway regional authorities. Regardless of the more difficult exploitation conditions under which the railways were supposed to fulfill their tasks in coal haulage, from June 1983 on a new phenomenon occurred: regularly scheduled shipments (shuttle shipments and whole train drafts shipments to bulk consumers) were disrupted, adversely affecting rail transport. The most unfavorable events took place in September. While in the first quarter the daily average of 249 shuttle-route trains were put in service carrying 398,000 tons of coal, between June and September there were on the average just 235 trains hauling 381,000 tons. In September the average daily number of trains went down to 212 hauling 344,000 tons.

The chief reason for disruption of regularly scheduled shipments was the high level of inventories held by bulk consumers. On one hand, such high levels resulted from the good work of the mining industry, a mild winter, and the efficient work of the railroads, particularly during the first months of the year, but also, on the other hand, from the coal-storage facility shortage all over the country.

Moreover, regularly scheduled shipments were further disrupted by some consumers who, to avoid responsibility, refused to collect. This, in turn, delayed the unloading of cars and piled up cars waiting to be unloaded, followed by introduction of transport limits by the PKP and stopping the collection of coal supplies by bulk consumers directly from the Coal Marketing Head Office. In the period under consideration, transport stoppages caused by oversupply of bulk coal consumers, in accordance with paragraph 49 of the railway code, affected 25 such consumers for a total of 181 days. Swinoujscie harbor, for instance, was shut down for 18 days, the Dolna Odra power station for 15 days, the Pokoj cement plant for 16 days, and the Przyjazn cement plant for 11 days. A similar number of coal supply shutdowns was imposed by bulk consumers directly through the Coal Marketing Head Office. Under the circumstances, the head office had to ship increased amounts of coal to its retail customers, thus reducing regularly scheduled shipments and delaying the turnaround time of coal cars. All the above-mentioned unfavorable phenomena contributed greatly to a major reduction in haulage capacities of the railways; that in turn was clearly reflected in the reduced flow of coal cars needed for hauling coal.

Another unfavorable factor which intensified the difficulties in coal haulage was the increased percentage of coal cars damaged during their runs back to the mines in consecutive months of 1983, as seen in Table 3.

Table 3

<u>Month</u>	<u>No. of Cars Damaged on Their Run Back to the Mines</u>	<u>% of Cars Damaged on Their Run Back</u>
Jan	17,161	6.9
Feb	16,501	7.4
Mar	18,603	7.4
Apr	19,094	7.8
May	20,004	8.0
Jun	19,407	8.3
Jul	21,327	8.8
Aug	24,045	9.9
Sep	22,139	10.3
Oct	22,223	9.8
Nov	20,571	9.1
Dec	19,548	8.5

As a result of this situation, the planned quotas for coal haulage remained unfulfilled. During that period the coal reserves dumped in the mine yards went up in an unprecedented way: by 1,850,000 tons--including 1,136,000 tons in September alone--to 3.3 million tons at the end of that month.

The situation became so threatening for the regular functioning of the national economy that on 1 October 1983 there was a meeting of ministers, heads of all the ministries and central boards involved, chaired by Zbigniew Szalajda, deputy chairman of the Council of Ministers.

At the meeting, the problems of output and exploitation of hard coal in the fourth quarter of 1983 were discussed in detail, and operative measures and directives for marketing and storing of coal in the immediate future were established.

They included:

--Mandatory purchase and collection of all the coal allocated to consumers for the fourth quarter of 1983;

--Determining the quantity of coal exports, including quantities shipped by sea and over the Steel-and-Sulfur Mainline;

--Defining the level of coal inventories in harbors, with recommendation to start operations aimed at increasing the storage yards in those harbors;

--Fixing timetables for coal haulage on workdays and holidays;

--Suggestions for actions aimed at accelerated return of coal cars shipped abroad;

--Suggestions for operations aimed at increased generation of power in the power stations located in the Silesian region;

--Empowering the Minister of Transportation to suspend all rail services to those economic units which had violated the rules for exploitation and operation of rail transport.

An interministerial group for ongoing coordination of hard-coal haulage was set up to ensure harmonious coal supply to domestic consumers and for exports and to create conditions for proper coal storage in the power plants, among the major industrial consumers, and in the harbors. The group included undersecretaries of state from all the ministries and central boards involved as well as executive directors of the Coal Marketing Head Office, the Weglokoks Coal Exports Head Office, and the regional railways administration in Silesia. It was chaired by Janusz Glowacki, undersecretary of state in the Ministry of Transportation, who was made responsible for submitting periodic reports on the implementation of the tasks to Zbigniew Szalajda, deputy chairman of the Council of Ministers. The group was supposed to meet regularly to analyze the ongoing fulfillment of coal haulage quotas by all types of transport, and to make operative decisions for efficient and proper management of coal. As a result, some 100 bulk consumers, as well as all the maritime harbors, were checked in this respect. Thanks to this group's operations, in the fourth quarter of 1983--despite the particularly difficult situation in rail transport (fall and winter traffic)--the amount effectively loaded on workdays and holidays allowed good results. For example:

The inventory of the mine dumps was reduced by 240,000 tons;

Coal reserves of power plants and heat-and-power generating plants, as well as of other bulk consumers, increased;

Very good results were achieved in exporting coal by sea and by land: over 9.3 million tons were shipped during this period;

The electricity output of the power plants in the Silesian region went up;

The functioning of systemic transports was improved.

The group's deliberations also resulted in putting forward ideas for construction of new hard-coal storage yards and for reconstruction of those already in operation. In the future, this will result in better management of fuel and alleviation of the negative aspects of periodic transport difficulties.

Despite the fulfillment of most tasks set up at the 1 October 1983 meeting concerning haulage, management, and exports of hard coal, the situation remains difficult. The problems result from:

Shortage of rolling stock in rail transport, physical depreciation of cars, considerable outflow of cars abroad, following increased exports of coal and other raw materials;

Insufficient capacity of bulk storage facilities, improper storage of coal, and lack of reserve state-owned storage yards;



Insufficient--in relation to needs--capacities of the storage yards in the maritime harbors, frequent damage of the overexploited harbor loading facilities, lack of supply of new machinery, and difficulties in regular investment in maritime transport.

There is not short-term solution to those difficulties. Hence the haulage quotas for 1984, too, are very high. National coal output will amount to 190.5 million tons, and 158 million tons must be hauled by rail, i.e., 2.8 million more than in 1983. A major task for 1984 will involve coal haulage for exports. The planned export premises set an unprecedented task for rail transport: 42 million tons. It follows, therefore, that in 1984 the major operations would have to include the gradual elimination of all the factors which adversely affect coal haulage and handling.

12485

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## RAIL, LOCOMOTIVE ELECTRIFICATION DEVELOPMENT OUTLINED

Warsaw TRAKCJA I WAGONY in Polish No 7, Jul 84 pp 169-173

[Article by Tadeusz Dynia: "Locomotive Development in the Polish State Railroads on the 40th Anniversary of the Polish People's Republic"]

[Excerpt] Currently, the Polish State Railroads /PKP/ has eight steam locomotives, designated PT47, 0149, Ty2, Ty42, Ty43, Ty45, Ty51 and Tkt48. These locomotives are used basically on nonelectrified lines in regions with no diesel locomotives. Despite the fact that more than 1,000 steam locomotives are still in operation, they play only an auxiliary role in moving freight by complementing diesel locomotives. The steam locomotives will be removed from freight service by 1990. A small number of them, however, will remain in a freight locomotive reserve.

## Electric Locomotives

Electric locomotives were introduced in the PKP during the interwar period. Only three lines of the Warsaw junction, a combined total of 108 km, were electric. Seventy-six series EW51 electric engines, which were produced in Poland with imported British electrical equipment, were acquired to service these lines.

After liberation, further electrification of the Warsaw junction began. In 1952, electrification of the first trunkline, Warsaw-Katowice-Gliwice, was begun. The electrification of this first line took a long time, up to 1957. A rapid rise in the number of electric locomotives took place after 1957 after the decision to cease production of steam locomotives. Investment credits had to be mobilized, a program for electrification developed with regard to economic considerations, and industry prepared to produce equipment for an electrified track network; above all, the machine industry needed to prepare for the production of the locomotives themselves.

The tempo of rail electrification in the past 40 years of the Polish People's Republic can be divided into two distinct periods. The first period lasted until 1964--1,809 km of track network were electrified by then, which was only eight percent of the entire rail network. The second period ended in 1983--6,019 km of track network were electrified, which brought the total of electrified track to 7,228 km, or 32 percent of the PKP's entire rail network.

A detailed breakdown of the tempo of electrification development into 5-year periods can be seen in Table 1.

By the end of 1985, 8,878 km of track will be electrified; this will bring the percentage of electrification of the PKP's track network to 36.5 percent. By 1990, almost 12,500 km of track should be electrified; this will bring electrification to 51.3 percent, or more than half of the PKP's rail network.

During this period, all the major lines, as well as those lines permitting it for long-distance passenger trains and freight trains moving massive cargos, will be electrified.

Almost all major provincial cities will be tied together in the electrified rail network. Tying all of these large cities together in an electrified rail network will permit the servicing of trains with well-working electric locomotives.

The extensive electrification program for the PKP rail network also required a corresponding increase in the amount of rolling stock.

In the first years of rail network electrification, rolling stock that was reconstructed after having been destroyed in the war was utilized; this stock was made up exclusively of prewar EW51 series electric locomotives. There were 36 units then.

The rest of the rolling stock could only be purchased abroad, inasmuch as the national industry was still not ready for such production.

As many as 44 EW54 series electric locomotives and 8 EP03 series passenger locomotives were bought in Sweden in 1947 to meet the demands of the Warsaw junction alone. On the other hand, all the equipment for 30 electric locomotive engines and 8 electric locomotives were purchased from Great Britain. This permitted our national industry to produce EW53 series 3-unit electric engines and 8 EP02 series locomotives and to rebuild 10 prewar engines which were to be designed as series EW52.

Servicing the electrified Warsaw-Gliwice line required additional purchases of electric rolling stock. Twenty-five EU04 series passenger locomotives and 34 six-axle EU20 series locomotives to move freight were purchased from the German Democratic Republic.

More than 36 EN56 series 3-unit electric engines, modified to accommodate low platforms, were purchased to service the Lodz rail network totally and the Silesian network partially.

However, an expanded electrification program could not rely exclusively on imported rolling stock. An urgent need to begin the production of electric locomotives by the national industry became obvious, all the more so because Polish industry had already acquired experience in building EP02 series locomotives and EW53 series electric locomotive engines.

For this reason, the USSR provided blueprints to produce the ET21 series freight locomotive; this locomotive has 2,040 kilowatts of power. After successful tests, Pafawag began serial production of the ET21 in 1957. By 1971, more than 600 units had been produced. Despite considerable innovations in locomotive construction, these locomotives continue to operate quite well owing to their reliability, low accident rate and ease of maintenance.

The Central Construction Bureau of the Rolling Stock Industry has also partially utilized a Soviet blueprint for an electric locomotive, while developing its own designs for the motor, engine and auxiliary machinery. As a result, the EW55 series was introduced. This series satisfied the freight requirements of the Silesian rail network immediately and the Warsaw junction network later.

With regard to the fact that ET21 series locomotives were designated to move freight and not suitable to service passengers (their maximum speed was only 100 km an hour), the PKP bought 30 EU05 series locomotives from Czechoslovakia in 1961. These locomotives were constructed to move 125 km an hour pulling passenger trains of 650 tons.

At the same time, between 1958 and 1960 British firms prepared blueprints and sold them to Poland together with 20 EU06 series electric locomotives constructed by them.

On the basis of these blueprints, Pafawag began in 1964 to produce the EU07 series electric locomotive, which the plant has continued to produce, with some interruption, to this day; this locomotive has become the basic passenger locomotive of the PKP. The locomotive can produce 2,080 kilowatts of power and reach a maximum speed of 125 km an hour.

Additionally, it has to be emphasized that the EU07 series locomotive became the basic model for all further developments in electric locomotives.

In 1969, Pafawag began producing the ET22 series locomotive with a constant power of 3,000 kilowatts; many mechanical components, including traction engines, were utilized from the EU07 series locomotive. The ET22 series locomotive can pull a heavy freight train weighing 3,200 tons at a speed of up to 70 km an hour, or pull heavy long-distance passenger trains of 650 tons up to 125 km an hour.

ET22 series locomotives, of which more than 800 units have been produced up until now, are the backbone of the PKP's electric freight locomotives, along with the ER21 series.

Also on the basis of the EU07 series locomotive, we now have the two-unit ET41 series electric locomotive which has a constant power output of 4,000 kilowatts (2 x EU07); production of this locomotive has been underway in the H. Cegielski plant since 1977. Two hundred such locomotives have been constructed. Their primary utility is in pulling heavy freight trains with massive loads in four-axle cars; the gross weight of the train can be 3,600 tons. In order to meet the requirements for 2-unit locomotives, the PKP in 1976 purchased 30 Czechoslovakian ET40 series locomotives on an axle base of BoBo+BoBo. These

locomotives have a constant power output of 4,080 kilowatts and can reach a top speed of 100 km an hour. The PKP also bought 50 Soviet ET42 series locomotives with a power output of 4,480 kilowatts; these locomotives were also on a BoBo+BoBo axle base. The locomotives are supposed to service heavy freight trains of 4,000 tons on the Silesia-Karszince-Porty line.

For the purpose of ensuring local passenger service on the newly-electrified rail lines, plans were worked out in 1962 to begin production of EN57 series electric locomotives capable of accommodating low platforms. These units are still produced and are the basic series of the PKP rail network servicing suburban and local rail traffic.

In 1976, Pafawag delivered more than 20 EN71 series electric locomotives constructed on the basis of the EN57 series. The new locomotive has a greater single unit power output thanks to the adaptation of two-unit engines. These are four-unit engines and service the Krakow-Zakopane mountain line.

At the same time, three-unit electric engines of the EW58 series, with a maximum speed of 120 km an hour, greater power output and acceleration, have been produced. These units are used to service suburban traffic in the Gdansk and Warsaw rail networks. They have two-unit engines and have had electrodynamic braking--the first ever for the PKP--installed. These units were to be introduced in the larger rail networks which had high platforms and had been using EN57 series units. After a trial series of 30 units being produced, work ceased, inasmuch as the units were not properly designed initially (they consumed too much fuel).

Currently, a new series of electric locomotives, the EW60, is being developed, the series will shortly enter production.

As far as the production of electric locomotives is concerned, it is still necessary to stress the building of 15 EP08 locomotives, which will replace the EU07 series; the new series will have a maximum speed of 140 km an hour. In order to increase the potential of fast locomotives, EU05 series locomotives are being modernized at the Repair Facilities of the Rolling Stock Industry in Gdansk; this modernization will increase the engine's maximum speed to 160 km an hour. The modernized locomotive will be designed EP05.

The building and reconstruction of locomotives and their modification to reach higher speeds of 140-160 km an hour were realized as a result of the introduction of increased highway speeds; e.g., the Warsaw-Poznan highway speed went to 130 km an hour. These speeds have become a requirement in servicing long-distance passenger trains.

Within the 40-year history of the Polish People's Republic, the Central Rail Trunkline, constructed 10 years ago, was completely modernized to handle high speeds and, according to the new 1984/1985 schedule, two pairs of the express trains "Gornik" and "Krakus" travel the lines Warsaw-Gliwice and Warsaw-Krakow. These pairs are made up of EP05 locomotives. The maximum speed of these trains on the line reaches 140 km an hour; the trip time from Warsaw to Katowice is 3 hours, from Warsaw to Krakow 3 hours and 11 minutes.

In summing up the accomplishments of electric locomotives over the past 40 years of the Polish People's Republic, we have to emphasize the enormous efforts of PKP workers and our industry, which have brought Polish rail lines to the point of being among the best in Europe. We have to stress that during the 1950's, when the decision was made to electrify the railroad, exceptionally well-considered and efficient efforts were made to do so. In our economic situation and with regard to economics overall, we were correct in our choice of energy to power our locomotives.

During this period, an electrotechnical industry was set up and stabilized and a central blueprint bureau established; this permitted the current permanent modernization of series locomotives, produced for years, and the construction of new, more economical trains which best corresponded to our situation.

Currently, two prototype EP09 series electric locomotives are being built which will have a new generation of engines with power outputs of 750 kilowatts and a maximum speed of 160 km an hour. These engines will provide service to express passenger trains.

On the drawing boards are newer locomotives of this generation with a BoBoBo axle structure; some are planned to be freight engines of 3,000 kilowatts of power, while others will service long-distance passenger trains of 16 cars for a total of 750 tons. These passenger locomotives are supposed to produce 4,500 kilowatts of power and reach a maximum speed of 160 km an hour.

Additionally, attempts are being made to purchase in the 1986/1990 period electric yard locomotives with a pulling power of 750 tons from Czechoslovakia; these locomotives would help solve the problem of moving trains and cars on the PKP's rail network. In the future, such locomotives will be built nationally.

#### Diesel Locomotives

The development of diesel locomotives was immeasurably less over the past 40 years compared to the expansion of electrification and the introduction of electric locomotives.

The national economy after the war was basically not at all prepared to handle the production of diesel locomotives. The two largest plants of the rail industry, Fablok and H. Cegielski, went on producing steam locomotives up until 1957, and even afterwards their shift over to the production of diesel locomotives took a very long time. An additional difficulty was presented by the lack of any blueprints for the rolling stock commensurate with modern designs; there were also no blueprints for equipping factories with the proper machinery and tools. Finally, there was a shortage of trained scientists and engineers.

Additionally, diesel locomotives were first produced in PKP facilities only slowly, and only in 1954; this resulted from the introduction in the PKP of several dozen diesel engines, series SN52 and SN60, with a power output of 235 kilowatts. These engines were purchased in Hungary and were used to service local passenger trains on lightly-traveled routes, inasmuch as they could pull only one coupled-on car.

Only after the decision had been made to cease production of steam locomotives and develop electric and diesel locomotives was interest shown in diesel locomotives by the former producers of steam locomotives, primarily by the Fablok plant in Chrzanow. This plant had already begun production of yard diesel locomotives with 220-257 kilowatts of power and electric transmissions, acknowledged as necessary in the construction of diesel locomotives, in 1959. It was a justified decision with regard to the experience gained in the production of electric engines already used in electric locomotives and the lack of experience and developments in building other more complicated transmissions, e.g., hydraulic.

A few years later (1965), the Fablok plant began production of a larger diesel locomotive, series SM42, with a power output of 590 kilowatts. Since then more than 1,000 units have been produced, and they have become the principal yard locomotive in the PKP rail network.

On the basis of this locomotive, the series SP42 diesel locomotive, with a steam generator of Polish construction, was produced to pull light passenger trains on nonelectrified lines.

The next diesel locomotive which the plant in Chrzanow began producing in 1974 was the series SM31 locomotive with a power output of 880 kilowatts. This locomotive was designed for heavy yard work and is still in production.

The other producer of diesel locomotives is the H. Cegielski plant in Poznan. This plant has specialized in the production of heavy passenger locomotives.

The first locomotive produced by H. Cegielski was the series SP45, 6-axle locomotive with a power output of 1,250 kilowatts provided by the Vapor steam generator. Construction of the 12-cylinder motor for this locomotive is permitted under an Italian license. The PKP has 265 of these locomotives; production was halted when the newer, more powerful series SU46 diesel locomotive for passenger service was introduced.

The SU46 locomotive has a power output of 1,650 kilowatts and thanks to a heating generator is able to heat the trains electrically with 3,000 volts of current. The SU46 series locomotive meets all requirements for servicing long-distance passenger traffic on nonelectrified lines.

The production of these locomotives was halted in 1977, but it is to be resumed in 1986.

Deliveries of diesel locomotives by the national industry were definitely too small in relation to transportation requirements on nonelectrified lines; for this reason, many diesels were imported over many years from other socialist countries.

We imported from Hungary in 1958 and 1961 yard locomotives, series SM40 and SM41 respectively, with power outputs of 440 kilowatts, as well as series SN61 diesel engines with power outputs of 370 kilowatts in 1960. These engines had automatic transmissions and, thanks to thread steering, three engines could pull eight or nine coupled-on cars. Initially, they were used to pull even express trains on nonelectrified lines, e.g., Warsaw-Gdynia.

Currently, series SN61 engines service local traffic, as they were intended to do.

In the 1965-1974 timeframe, Romania delivered to us series ST43 locomotives with power outputs of 1,540 kilowatts, electric transmissions and a maximum speed of 100 km an hour. These engines were our first heavy-line diesel locomotives. They service freight traffic on the nonelectrified lines of the Southern, Lower Silesian, Western and Coastal District Managements of the State Railroads.

We purchase series ST44 series line locomotives with power outputs of 1,470 kilowatts from the Soviet Union for freight traffic. They, together with series ST43 locomotives, make up the basis of diesel locomotives servicing freight traffic on the PKP's nonelectrified lines.

At present, the Polish railroad is suffering considerable shortages of diesel engines to service passenger traffic and nontraining operations. This is the result of the retirement of our steam engines, which have been obsolete for a long time. Their technical state, especially their boilers, are not worth further repair efforts.

Attempts have been undertaken to resume the construction of series SU46 locomotives and trolley cars, as well as the purchasing from Romania of light passenger locomotives with power outputs of 950 kilowatts and steam current for 3,000 volts.

The implementation of these purchases is necessary for the PKP, inasmuch as future years will see a reduction in the number of locomotives on hand designated to serve passenger traffic on nonelectrified lines.

The breakdown of individual locomotive types in the accomplishment of PKP tasks during the past 40 years, i.e., the changes in the makeup of functioning rolling stock in individual 5-year periods, as well as the percentage breakdown of individual engines covering total kilometers traveled by the PKP, are contained in tables 2 and 3.

As the data show, the most dynamic growth seen in the covered period was made by electric locomotives, which account in 1983 for 56 percent of all the kilometers traveled by the PKP.

Further modernization of our locomotives presupposes that in the upcoming period the PKP will meet its transportation problems only with electric and diesel locomotives; additionally, it is envisioned that electric locomotives will cover 90 percent of the effort. Inasmuch as the main supplier of locomotives to the PKP is and will remain the national industry, the further modernization of PKP locomotives will basically depend on how well our industry does its job.



Table 1 Breakdown of the increases in electrified lines in 5-year periods  
(in kilometers)

Years	Increases in a 5-year period	Length of the electrified lines at the end of the period	Average yearly increase in elec- trified lines during the 5-year periods
1946-1950	152	152	30
1951-1955	333	485	67
1956-1960	541	1,026	108
1961-1965	1,201	2,227	240
1966-1970	1,645	3,872	329
1971-1975	1,716	5,588	343
1976-1980	1,280	6,868	256
1981-1985	2,010	8,878	402
plan			
1986-1990	3,626	12,504	725
plan			

Table 2 Breakdown of operational locomotives (in percentages)

Type of Locomotive	1945	1950	1955	1960	1965	1970	1975	1980	1983
Steam	100	98.9	95.5	92.5	80.9	61.0	40.0	21.4	16.7
Electric	-	1.1	3.6	6.1	11.9	20.1	27.5	34.4	40.8
Diesel	-	-	0.9	1.4	7.2	18.9	32.5	44.2	42.5

Table 3 Percentage breakdown of total PKP kilometers covered

Type of Locomotive	1945	1956	1960	1965	1970	1975	1980	1983
Steam	100	90.3	84.7	69.2	47.1	27.5	14.0	11.3
Electric	-	8.3	12.7	23.0	35.1	43.2	49.7	56.5
Diesel	-	1.4	2.6	7.8	17.7	29.3	36.3	32.2

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CSO: 2600/1157

## 'URSUS' WORKERS MEET TO VOICE COMPLAINTS ON 1985 PLAN PROVISIONS

Warsaw ZYCIE WARSZAWY in Polish 22 Aug 84 pp 1, 2

[Text] "The main provisions of the 1985 national annual plan do not not take full account of the needs of the tractor industry"--such was the conclusion contained in the position paper approved on 21 August by workers of the "Ursus" Tractor Industry Association who participated in one of the plan consultation meetings.

In order to fulfill next year's planned tractor production target (59,000 units, including 7,000 MF-255 tractors produced under foreign license) the National Annual Plan must make provisions for larger outlays on purchases of capital goods and construction and assembly labor services. "It is also necessary," the position paper states, "to grant income and FAZ tax concessions to all factories contributing to the expansion of the tractor industry."

The lack of people willing to accept jobs at "Ursus" is a very troublesome problem. This labor shortage problem is figuring more and more prominently as a stumblingblock in the effort to boost tractor production. Right now, in all of the "Ursus" plants, there are an additional 3,600 job vacancies that need to be filled. Special attention needs to be devoted to the social welfare benefits status of the work force in order to attract new employees.

The Economic Subcommittee of the PZPR Factory Committee has laid the greatest emphasis on the need to solve these very problems.

During this meeting the provision contained in the National Annual Plan calling for a reduction in the output of the cooperative housing construction industry to 95,000 units was declared to be unacceptable in a situation where the waiting period to put a roof over one's head is growing even longer.

The "Ursus" workers called for the increased procurement and processing of agricultural products. The target figures set forth in this regard in the plan are, in their opinion, too low in relation to the proposed level of aggregate agricultural production. "The fulfillment of this demand," said the meeting participants in their position paper, "would make it possible to eliminate the rationing of sugar, butter, processed grain products, and vegetable oils."

## BRIEFS

BALTIC PORT ACTIVITY--There are no such things as late summer dog days along the docks of Gdansk and Gdynia. All cargo handling installations are in operation. In both ports there are approximately 400,000 tons of goods waiting to be on- or off-loaded on 45 ships. Coal continues to take first place in all of this service activity. On 24 August, 45,000 tons of coal were loaded on board the Brazilian bulk cargo carrier "Cetaurus." On the same day, 50,000 tons of coal were loaded into the M/S "Uniwersytet Wroclawski." Meanwhile, the 60,000-ton "Ocean Traveler" from Singapore and the 80,000-ton French coal carrier "Luis Id" are waiting at the roadstead for servicing. Dockworkers at the fuel handling installation transferred 35,000 tons of Soviet transit oil on board the tanker "Schwedt" from the GDR. In Gdynia general cargo is the order of the day, i.e., the on- and off-loading of rice, transit sugar, metallurgical products, machinery, and equipment. Shipments of ore and grain are also being handled. [Text] [Warsaw TRYBUNA LUDU in Polish 25-26 Aug 84 p 1]

CSO: 2600/1226

## ROMANIA

### BRIEFS

TEXTILE EXPORTS TO FRANCE--The executive commission of the European Assembly has permitted France, until the end of the year, to stop the export from Romania of several products of the clothing industry, especially, coats, jackets and other articles of women's and children's clothing. If France were to continue to import these products, the situation in the French textile industry would further deteriorate. In 1982 this industry manufactured 8.32 million articles of this type while the year before close to 1 million more of these articles were manufactured. In approving these decisions, the executive commission stressed that the prices of Romanian clothing in France were much lower than the prices of the same products made by French manufacturers. [Text] [Ljubljana DELO in Slovene 25 Aug 84 p 10]

CSO: 2800/474

ZAGREB ECONOMIST DISCUSSES ECONOMIC PROBLEMS, REMEDIES

Belgrade INTERVJU in Serbo-Croatian 3 Aug 84 pp 8-11

[Interview with Dr Davor Savin, professor at the School for Foreign Trade of Zagreb University and economic adviser to the president of the SFRY Assembly, by Dragan Tanasic: "We Can Cut Inflation in Half"; date and place not specified]

[Text] For 20 years now all our annual plans for economic development have contained the warning: "The rate of inflation should be considerably reduced in the coming year...." Over the last 13 years another word--stabilization--has been given an established place in plans and resolutions. The planners have regularly written it alongside the word "inflation." Since that time the warning has been stated like this: "We will not be able to accomplish economic stabilization unless we halt and reduce inflation." Unfortunately, at the end of every year we have been witnesses that inflation has not been reduced; year after year it has been increasing appreciably.

We interviewed Dr Davor Savin, professor at the School for Foreign Trade of Zagreb University, economic adviser to the president of the SFRY Assembly, and the author of a large number of studies on the international economy, on the subject of why it has not been possible to prevent and reduce inflation.

[Question] Professor Savin, over the last 2 or 3 years Yugoslavia has confronted a problem which it did not have in previous years--the obligation to regularly repay foreign debts.

[Answer] Before I attempt to answer that, I will make a few remarks about the statistics on the Yugoslav foreign debt. It amounts to about \$20 billion. Most of the debt, 93 percent to be precise, was borrowed from countries with a convertible currency. That being the case, everything that I will say will apply to that convertible part of the debt.

You ask me how we got in a situation of having difficulty in repaying the debt. We borrowed hastily and as a consequence the total expenditure and standard of living of our citizens was higher than domestic output. A few years before 1982 total consumption in the country was between 106 and 109 percent of the value of the social product. How is that possible? By covering those 6 to 9 percent with credits from abroad. Half of that debt, that means about \$10

billion, was incurred in the period 1979-1982. At a time, then, when the greatest rise of interest rates over the last 50 years occurred on the international financial market.

[Question] Radovan Makic, governor of the National Bank of Yugoslavia, recently shocked the public when he announced on a television program that our total payments up to the end of this decade will exceed \$39.5 billion....

[Answer] If I might resort to pure economic theory for a moment, which I feel necessary, interest cannot be added to the balance of the principal. If by some chance Yugoslavia were now to find some source of petroleum, or, still better, a rich gold mine, we might immediately repay the debt of \$20 billion, but we would not pay a single dollar in interest; that is, there would not be any interest. So, these two categories cannot be added together, since the balancing is done in such a way that the interest is paid from current accounts, and the principal from what is referred to as the capital account in the balance of payments.

[Question] If we now start with some average, an average which can be counted on with quite serious probability--how much would we have to pay off by the year 1990?

[Answer] We can speak only in relative categories and in approximate amounts. I say "approximate" because it is difficult to assess how interest rates will move in the future. If this interview were being conducted some 20 days ago, I would say what I am about to say with less emphasis. That is, we are right now witnesses that in recent days interest rates have risen again on the international financial market; they are changing from day to day. This growth will not, of course, fail to have an impact on our economy as well. Accordingly, we cannot state with confidence at the present moment how much the interest will be up to the end of this decade, because a considerable portion of our credits were concluded with a variable rate of interest. We can assume that we will have to pay off approximately between \$4 and \$5 billion a year throughout this entire decade, including interest.

[Question] What percentage or portion is that of our inflow of foreign exchange?

[Answer] Even here the answer is not precise, since it is difficult to estimate for numerous reasons how much the inflow of foreign exchange will be. However, if we rely on the current parameters, our payments this year will amount to nearly 48 percent of the total inflow of foreign exchange--from tourism and all other sources: exports, transportation, remittances of our workers from abroad, and services. And that percentage has to be cut in half.

[Question] Would we, then, be able to speak about this more confidently if we look at the payments in terms of the outflow of our social product? Figures have been published in the press to the effect that they amount to between 6 and 7 percent of our social product.... Which means that domestic consumption must be reduced by approximately that amount every year up to the end of this decade?

[Answer] Exactly so. And since there are objective restrictions because personal consumption cannot be reduced below something that I would provisionally refer to as the social welfare minimum, it is certain that the greatest burden of the reduction of that spending will fall on investments....

[Question] It seems to be with respect to investment policy that the greatest misunderstanding prevails and the greatest gap stands between the assurances of certain of our well-known economists and the official policy, which favors reduction of investments. Several times this year the datum to the effect that we have considerably reduced investments and that we should continue to do so in the future has been emphasized as a precious piece of evidence on the change of our behavior for the better....

[Answer] I reject that thesis--to the effect that our investments have been too large. The figure is used that earlier they amounted to 40 percent of the gross social product. I reject it because it says nothing about many facts of economic theory and about our real situation and life. First, it overlooks the fact that we are a developing country and that a reduction of investments has a manifold impact on us. Second, this is the fifth straight year that investments in fixed capital [original reads "investments and fixed capital"] have declined. This year they are actually one half what they were, say, in 1979, and they barely reach 20 percent of the social product, if that.

Third, the thesis of oversized investments overlooks the fact that they are disbursed and that in our country 100 dinars invested is not 100 dinars, but rather 100 divided by 8, since they are channeled among the republics and provinces, and each tries to round out its own production structure, and there are no mutual complementary economic linkups between those regions. When we have this in mind, then what is referred to as "large" becomes one-eighth as big.

Fourth, but it might also be in first place with respect to its importance and consequences--we have had an immense number of unprofitable investments. Just a few of the very well known major failures, such as Obrovac, hardboard sheets, FENI and the like, ate up one-third of the value of all investments.

[Question] You have said that inadequate investment has a manifold impact on us. How does it effect, say, technological development?

[Answer] How? I might use many pleasant adjectives, but I will be content with the most harmless--appreciably. In coming years Yugoslavia will lag greatly behind its principal trading partners precisely because they have been investment more rapidly at a time when we have cut back on investments, and that in highly sophisticated technology, in those production processes which we can no longer keep up with. That is why raw materials and semifinished products continue to be dominant in the structure of our exports, and that is nothing other than a synonym for an outflow of national income.

Do not forget that the productivity of labor has been rising at an annual rate between 2 and 3 percent in the OECD countries thanks to investments in new technology, while for several years we have had a negative growth rate of

productivity. Can we, then, maintain external liquidity without technological improvement of our productive plant, which is again a synonym for higher productivity of labor and for reduction of the prices of our products? No, we cannot. If we are to export, the only way is for us to devalue our national currency further, and that increases inflation and casts us into new troubles....

[Question] Some of your colleagues feel that up until the seventies we were successfully carrying out industrialization and urbanization; since that time we have merely been repeating the technological solutions that exist, and now, in order to move into a higher-order development cycle, we should replace about 80 percent of our products. Otherwise we will remain in a technological abyss, and we can only sell off our national resources for a song....

[Answer] I agree with that view, but I would add that our enterprises are not at the moment in a position, because of inadequate accumulation, even to renew the production plant they have. Even a visual picture confirms this for us in everyday life. Instead of technological improvement, we have a technological regression which is fast turning into a cultural regression. That is, unable to purchase the technical literature from abroad, we are in a direct way making it impossible for our science to develop. Not much time will pass before the consequences of this will become obvious and tangible.

[Question] Regardless of how great a problem a technological standstill is for a society, and for its stability, it is not so dangerous as, say, social inequities, and certainly unemployment is one of the greatest injustices. I would ask you, then, to say a few words about how the reduction of investments will affect the potential for creating new jobs....

[Answer] The answer is brief, there are no opportunities whatsoever for us to increase employment without new investments. All the talk about so-called third shifts, early retirement and the like, all of that put together is nonsense. Please show me just one country which has managed to solve the problem of unemployment through retirement? Aside from that, and in our case particularly, many prerequisites are necessary to introduce a third shift: resources, producer goods, and once again foreign exchange is necessary which we lack, and we do not even have the demand. Given this kind of rise in the prices of food and nonsubstitutable services, such as rent, heat and electricity, so that the public spends all its earnings to meet those needs, the demand for other goods, especially industrially produced goods, will fall off more and more. Who, then, is going to buy the output of the third shift?

So, with that kind of investment policy we cannot count on solving the problem of unemployment, nor will we mitigate it to any extent in the years just ahead of us. Over the long run the country can increase employment only if it furnishes additional investment. Of course, I am not thinking of just any investment, of building sumptuous public buildings and towers for the administration, but of productive investment which will have a high multiplier....

[Question] And if that additional investment is not furnished?



[Answer] I would recall that we have nearly a million people unemployed, that Yugoslavia is the country with the highest rate of unemployment in Europe. And young people, under age 30, represent a majority of the unemployed, 70 percent. Half of them have finished secondary and postsecondary schools. Which means that these are the people with the highest level of specialized skills and the best characteristics with respect to physical condition and age, yet they cannot participate in economic life at all, and they are actually excluded from all social flows. So that what we refer to as stabilization is in fact a stabilization at the expense of future generations. For a self-managing socialist society that ought not to be a fact taken lightly.

[Question] Professor Savin, all of these adverse processes cannot be corrected until inflation is reduced. It is unfortunately rising year after year. So it then turns out that there are no solutions. Since I know that you, unlike many others, feel that we can not only halt inflation, but reduce it in a short time, please set forth your ideas....

[Answer] I do actually think that solving the problem of inflation is the first precondition for Yugoslavia to solve all its other economic difficulties. But if this is our first problem, it does not mean that it is the most difficult. Even though we have not succeeded so far and in spite of the fact that it does not seem that way at first. Here is why I feel that the problem of prices is simpler than indicated by the unpleasant experience of previous years and by its severity today. The principal factor in the rise of prices in our country are food costs. They have a share between 60 and 70 percent of the total cost of living. Moreover, the structure of consumption is altogether different from the one which is monitored by the statistical services; that is, today we are not consuming as much meat, eggs, milk, cheese and other quality foodstuffs as formerly, but are turning toward lower-quality food. So, in a situation when food costs are the principal factor in inflation and in the cost of living, the primary mechanism of inflation works approximately this way: regardless of whether some work organization is conducting its business successfully or inefficiently, regardless of whether it has losses, regardless of whether it has managed to market its products, regardless of all the criteria agreed to concerning the setting of prices, in a situation when food represents 60 or 70 percent of the cost of living, such an organization must raise personal incomes of its workers in order to adapt at least in part to the rise of inflation. If it does not do that, then it would literally threaten the worker's very existence and thereby his labor. Or the other way about: you can tell the workers that personal incomes will drop for 2 or 3 years or remain frozen if the key component in the cost of living, i.e., food, also remains frozen. But if they are forced to pay an ever higher price for something that has no substitute and on which their existence is based, personal incomes will have to adjust. How are our work organizations behaving? In the only possible way: they are passing on the higher costs, including personal incomes, in the price of their product. And that price is then an import cost for any other organization, which it in turn includes in the price of its products, and thus the inflationary spiral unwinds faster and faster.

[Question] In a recent meeting of the main committee of the Socialist Alliance we heard the proclamation: "We have to put a stop to prices rising beyond the agreed limits...."

[Answer] I can only say the following in answer to that: Yugoslavia will never be able to stabilize prices, regardless of the conditions, regardless of the prerequisites, and, of course, regardless of these declarations, resolutions and programs of ours, until we first solve the problem of the food supply, which is a synonym for augmenting agricultural production.

[Question] A majority of OECD studies say that only those countries which have solved the food problem have a stable economy....

[Answer] Even the historical experience of Britain in the 18th century, of western Europe, of America and of Japan in the 19th century, and of certain smaller countries in the 20th century shows that no one has been able to achieve takeoff of its own industry and economy as a whole without having first secured food for its population.

[Question] This is perhaps a notorious fact for countries in which the natural conditions exist for the development of agriculture. But when we were agreeing about this interview, you mentioned to me certain other almost bizarre examples.

[Answer] Well, I will repeat them now in order to support the thesis which I have been expounding up to this point. Everyone knows that Saudi Arabia is a large petroleum producer, but it is unfortunately less well known that the second most important article they produce is wheat. Japan is one of the industrial giants; this year it has a surplus of about \$30 billion in the balance of payments! It could purchase food more simply than anything else, but it never does so, but produces rice which is even as much as 15 percent more expensive than the production of its immediate neighbors Burma, Taiwan, Korea, and so on. Should there be a fluctuation of food prices on the world market, Japan can absorb the shock of those disturbances with its own production, since it is aware that wages would explode if food prices should rise. I might enumerate more such examples: for example, that Sweden is exporting wheat to the Soviet Union.

[Question] By contrast with Sweden or Japan, we have so-called comparative advantages for the development of agriculture over other countries, and that is stated even in many of our plans.

[Answer] Although I am not directly concerned with agriculture in my work as an economist, I would still recall that we have absolutely all the resources necessary for the development of agriculture, including weather, climatic and pedological conditions, but what we lack in other sectors--and that is the financial and foreign exchange resources and splendid scientific advances in genetic agriculture. Do not forget that rural areas account for 60 percent of the inflow of foreign exchange from our workers employed abroad temporarily. Simply because that is the percentage of people who went abroad from rural areas. Second, the savings coefficient in Yugoslavia is somewhere around 8 percent, but in rural areas it is almost twice as high.

[Question] Rural areas have been rather devastated.... They are left without manpower, most households are inhabited by the elderly, what are they able to do?

[Answer] None of that has any importance whatsoever; I insist on that word "whatsoever," since if agricultural production were well-organized, if no one were holding back rural producers with uncertainty about marketing and the conditions for production, if they were extended adequate credit along with interest rates that would act as an adequate incentive, and above all if purchases were guaranteed, everything would work itself out--indeed even prices. Economic policy has to guarantee them purchasing, has to liberate them from those degrading kilometer-long lines in which their produce spoils right in front of some of the warehouses where purchasing is done, they have to be paid for their goods on time, rather than waiting for several months. All of these things, as I have said, will come right by the logic of economic behavior. Under those conditions they would enter into production and very easily would find their own ways of consolidating the land cut up into small parcels and would solve the problems which up to now have been seen as insoluble.

[Question] What do you think about the maximum landholding?

[Answer] I think that here also we ought to amend certain legislation. One hundred hectares is less than 10 hectares if you have a tenfold greater fiscal pressure per unit income. In other words, let the peasant have more than 10 hectares, but be waiting for him with a tax at that level of production or income at which you feel that capitalization or whatever should not go further. But you dare not put a physical limit on output, but that is exactly what we have been doing all the while, and we have bent all the legislation in that direction. That applies both to customs legislation and all other legislation.

[Question] For years now we have permitted the importation of luxury goods, color television sets, automobiles, indeed even yachts, we have even extended credits for some of these items, but we have never extended credits for the purchase of agricultural machines and especially for the purchase of land, as the principal means of production in agriculture....

[Answer] My answer to you is this: if we do not amend our legislation and continue to pursue a policy of modest agricultural output, we will always have a high rate of inflation, and it will be higher than 60 percent.

[Question] On what scale in your opinion might Yugoslavia augment its agricultural output?

[Answer] I would give an annual growth rate of 8 percent up to the end of this decade as the goal of our economic policy toward which the entire society should look. Yugoslavia can achieve that goal if it wants to. Along with the growth of primary agricultural production, of course, we need at the same time to build the food processing industry, production of chemicals for pest and disease control, we have to build silos and storage facilities, and so on. That is precisely agriculture's advantage--it creates very strong multiplicative effects in other sectors. One dinars invested in industry yields a maximum of 110-130 dinars of new income, but invest those 100 dinars in agriculture, and you create 270 dinars of new income.

[Question] Under what conditions?

[Answer] Under only one, which is not now satisfied, and that is the organizational condition. The loss through inflation is greater for this society than the cost of the effort to organize efficient agricultural production. Without that we will not be able to prevent inflation, and until we stop it, we will have constant devaluation of the dinar, a drop in the standard of living, and a number of other undesirable consequences.

[Question] When the development of agriculture is mentioned, some people use the following line of argument: we would not get very much by exporting its products.

[Answer] I am not interested for the moment in agricultural production as a source of income from exports. What interests me above all is that it is the key element in the mechanism of inflation. It would even be better for us to import food and to have lower food prices than to allow prices to go on galloping this way.... Although there is no doubt that the role of agriculture is significant even in the sector of foreign trade. But even if we were to accept the argument that by augmenting agricultural production we would achieve a small inflow of foreign exchange, even if we did not get a single dollar by exporting food, we would earn billions of dollars by exporting other things, since our inflation would be lower, and for that reason the competitiveness of other sectors and other goods would be greater on the export market. Sometimes you have to shoot over the target to hit it.

[Question] At what point would we feel the results of that kind of policy?

[Answer] It is certain that different times are involved in the production of livestock and in the production of lettuce. But I assure you that if we, for example, could increase lettuce production by, say, 10 percent, our rate of inflation might be lower in the very next month. Accordingly, some effects would occur over a period of a few months, some over a period of a few years....

[Question] Would we manage to do it in 5 years?

[Answer] No, I think that solely on the basis of the mechanism of a larger food supply and slower rise of personal incomes we would cut the growth rate of prices in half in 2 years! That is the essential point. Accordingly, until we read in the newspapers that we have a constant growth of agricultural production and lower food prices on that basis, you will not be able to read that we have ever managed to do anything that would resemble economic stabilization.

[Question] If you were in a position to decide--What measures would you propose at once?

[Answer] Well, if someone actually asked me what I proposed in the short run, and by that I mean a few months, possibly a year, I would propose, say, that the government discontinue this very day all customs and other restrictions on the import of agrochemical, agrotechnical and other supplies and machines for agriculture and the small business sector. In short, anyone who has the money

and the foreign exchange let him buy those things and get into production. Why shouldn't the peasant buy either a combine or a tractor? After all, he is not going to drive them on Terazije, but in the fields.

We are importing nearly \$1 billion worth of food, and at the same time we have the most severe restrictions on the importation of producer goods for agricultural production, although our people have the foreign exchange to purchase them. If such a decision were made, it would also increase the inflow of foreign exchange from Yugoslavs employed abroad, since this would have a psychological impact on their willingness to place their savings in Yugoslav banks. That would not only expand the base for augmenting agricultural production, but the situation in the balance of payments would also improve. In spite of the strong depreciation of the dinar, we are earning \$1 billion from tourism, but in this way we could attract at least an additional \$2 or \$3 billion. Now the workers are keeping their savings in foreign banks, one of the reasons being that they are unable to put that accumulation to productive use.

[Question] You have been speaking about the private sector, can you be reproached for ideological deviation?...

[Answer] I am saying what objectively exists. I neither invented it nor created it. About 80 percent of the land and agricultural output are in the hands of private farmers.

[Question] A few years ago there was also rather optimistic talk about tourism....

[Answer] There are also opportunities in that sector for a rapid growth of income. But along with the beautiful and luxury hotels and the other infrastructure, we also ought to have a richer offering of other goods and services. But until we solve that first thing we have been talking about up to now, we will have shortages to offer to the tourists. But I see greater opportunities for invigorating our economy in housing construction than in tourism. From the economic standpoint, there are several things which indicate the great mistake which is being made by the kind of housing construction which we have referred to as targeted, instead of "retarded," and which obviously is not functioning, nor can it be effective. The first economic reason is the following: if we wanted to increase output in industry by 100 dinars, we would need about 25 dinars of imported supplies, since that is the level of its dependence upon imports. Yet if we wanted to augment housing construction by the same amount, we would need imports amounting to only between 5 and 6 dinars. The reason why is clear: housing construction is as a practical matter based entirely on domestic materials. Those supplies are clay, cement, stone, wood, and all the rest--which we have in large quantities.

Second: we should not forget that large financial resources exist in the hands of individuals and our workers abroad, and indeed even in organizations of associated labor which literally in the course of a few hours might be applied to production if housing construction were placed on a different foundation.

[Question] I will put to you the same question as when we were talking about agriculture: How long would it take for business to get going in housing construction if the present legislation were amended?

[Answer] Immediately. It probably would not take more than a week for production as a whole to get going because today we have more than one-third of the construction capacity completely unemployed, including more than 100,000 workers, since public investments have fallen off. So year after year we are building fewer and fewer housing units. This year we planned some 50,000 which we will not complete. Yet we probably could accomplish 70,000-90,000 with the proper organization.

[Question] The argument about organization is similar to the argument in agriculture?

[Answer] Well, of course. That is why I speak about large potential.... But there is also something else I would like to emphasize: it has to be borne in mind that a dwelling is one of the greatest material values of the individual, and several problems are solved simultaneously with accelerated housing construction. First of all, the social status of every individual. Second, we have very serious social tensions, we read "about disturbed human relations" and the like, for one reason because there are conflicts over the allocation of housing, and there have to be conflicts when the supply of housing is inadequate.

We are probably the only country in the world which has unemployed construction capacity and all the available resources, including financial resources, and which at the same time has the most pronounced housing problems. This obviously is utterly unnecessary.

I feel that changes in legislation in agriculture and housing construction would above all make it possible, without any larger fundamental additional touches to the economic system--which under our conditions takes time and requires strong social energy--assuming certain adaptations which I would call organizational, for production to get under way literally at once.

[Question] And if we do not do that, but stick by the present solution?

[Answer] In that case we will be one of the rare countries whose per capita consumption is declining year after year, and even now we are lagging appreciably behind others and are threatened by the danger of "taking" last place on the ladder of economic development in Europe. We have to be clear about that. I constantly insist on the short term in the economy so that we might in that case, as Alber Kami put it, "be able to give shape to our own destiny, right now...."

7045

CSO: 2800/453

## PLANS FOR PRIMARY, SECONDARY ENERGY DEVELOPMENT

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 17 Aug 84 p 4

[Text] Primary Energy: Reliance on Good Old Coal

The long-range development of the entire economy and of the society as a whole demand a comprehensive approach to the long-range development of the energy industry as an essential part of the economic structure. After all, there is a high degree of interdependence between the level of production and consumption of energy and overall development of the economy, especially industry, and the population's standard of living. All of this necessitates synchronizing the overall long-range goals and tasks with respect to the development of production, refining, transport and consumption of energy. In that light it is logical for the fuel and power industry to be treated as an activity of particular social importance, which means that particular efforts need to be made to perform the tasks in the energy field to the end of this century.

One of the principal tasks, then, is to establish medium-term and short-term balances and specific programs for development of energy facilities. According to the projection of energy consumption up to the year 2000, there will be a drop in energy consumption relative to the growth of the social product. It is estimated that the elasticity coefficient of primary energy consumption over the period 1986-2000 relative to the envisaged growth of the social product will be 1.1, while over the period 1976-1980 it was 1.19, which represents a considerable improvement with respect to the efficiency of energy use.

Coal will be the primary source of satisfying the domestic demand for energy; it will be used primarily to generate electric power in view of its characteristics. That is, 80 percent of the coal mined will be used for those purposes, and the remainder, in its natural state or converted to better-quality forms for direct consumption, will mainly be used in industry and general consumption.

The plans thus call for coal's share in total consumption of primary energy to be about 35 percent in the year 2000. That is, needs up to the end of the century are estimated at 160 million tons, and coal production is supposed to increase at an average annual rate of about 5 percent. This calls for the opening of new mines and expansion and modernization of existing ones, especially open-pit (majski kop) mines, so that the output of strip mining furnishes about 80 percent of the necessary energy derived from coal.

Particular emphasis, it is emphasized in the compact, will be on adopting new and improving existing technologies for converting coal to higher forms of energy. This will provide multipurpose use of coal, which is the most important source of substitutes for liquid fuels in industry and general consumption.

In view of its low heating value, lignite in the natural state will be used primarily to generate electric power and for other forms of direct consumption. Brown coal, in view of its energy value, will primarily be oriented to supply industry and small consumers.

#### More Intensive Exploration for Crude Petroleum Deposits

Reliance on our own energy sources makes it indispensable to make maximum use of the hydropower potential to generate electric power. Accordingly, it will certainly be necessary to reassess previous decisions and programs for utilization of hydropotential for energy purposes and to adapt to the newly created situation in the energy field. The agreement on the use of the Drina, Piva and Tara watersheds makes it possible to establish in good time the sequence for optimum construction of hydroplants.

On the basis of that kind of policy concerning use of the hydropotential, it will be possible by the end of this century to achieve about 55 billion kwh of hydroelectric power.

High dependence upon imported petroleum and natural gas and the problems which arise in obtaining resources to import them make it imperative to intensify exploration for crude petroleum and natural gas within the country and abroad, combined with greater use of secondary and tertiary methods of increasing recovery of petroleum from present and new reservoirs. The growing consumption of petroleum imposes this orientation as well. That is, it is estimated that crude oil consumption will increase to 24 million tons in the year 2000. Only by developing domestic production will it be possible in the last year of this century to reduce petroleum imports to 16 million tons. Which means that the production of domestic crude petroleum would have to grow to 8 million tons, and that of natural gas to 3 billion cubic meters. The importation of natural gas should reach 3 billion cubic meters. The properties of natural gas are such that both domestic production and imports should be oriented more toward use as a raw material in the chemical industry and to meet the needs of large cities and the general public (central and floor-by-floor heating, cooking and hot-water heating).

#### More Rapid Activation of Renewable Energy Sources

Aside from the more rapid development of production capabilities in coal mining and petroleum production and greater utilization of the hydropotential in the coming period, it will also be necessary to speed up exploration and develop methods, technology and production of equipment for use of renewable sources of energy. Production of liquid fuels from oil shale has prospects in view of the deposits and the results achieved to date. It will be indispensable to speed up the utilization of solar energy for low-temperature needs and processes in industry, in tourist facilities, households and agriculture.



There are possibilities of developing the production of biogas and methanol from waste in the food processing industry, that is, using the biomass for energy purposes. Foreign experience suggests the use of energy above all to meet the needs of agriculture and for indoor heating where the thermal characteristics allow.

Achievement of these projections for development of the production of primary energy as a part of the long-range development of the energy industry will depend on the growth rate of the economy and the demand of the population, so that the dynamic pattern and volume of production of primary energy will be defined more precisely and completely in medium-term plans.

#### Secondary Energy: Only a Third of Electric Power From Hydroplants

Development of the economy as a whole and of its individual parts is based as far as primary and secondary energy is concerned on stable, continuous and quality supply of energy to consumers. Unstable energy and economic conditions in the world and in our own country make it a necessity for long-range policy governing development of the energy industry to be based on our own specific general, economic and energy conditions.

#### Coal and the Hydroelectric Potential as the Basis for Production of Electric Power

As for electric power, as a form of secondary energy, production up to the end of the century will mostly be based on the use of coal and the maximum possible utilization of the hydroelectric potential. Only gradually will electric power production on the basis of nuclear fuels be increased. It is estimated that the production of electric power in the last year of this century will amount to about 170 billion kwh. Coal-fired steam plants will share in that output with 96 billion kwh, liquid-fired steam plants with about 4 billion kwh, hydroplants with about 55 billion kwh, and nuclear plants with about 15 billion kwh. Achievement of that output will require continuity in construction of power plants and other electric power facilities, which must rely to the greatest possible degree on conditions precisely set forth and on joint investments and pooling of labor and capital.

If the projected output of electric power is to be achieved, it will be necessary to build and put on line by the end of this century new coal-fired steam plants with a capacity of about 12,000 MW, new hydroplants with a capacity of 8,000 MW and nuclear plants with a capacity of 2,000 MW. It will also be necessary to begin construction of power plants with a capacity of at least 4,000 MW which will be activated at the beginning of the next century.

Aside from building large power plants, plans also call for construction of standard small-capacity hydroplants, which requires preparation of the survey of low-head streams and definition of the parameters of the standardized equipment, as well as creation of the necessary conditions for them to be connected to the distribution network.

It is felt that by the end of the century new liquid-fired and gas-fired facilities should not be built for production of electric power or for combined production of electric power and heat. (Conditions are beginning to be set forth for conversion of a portion of the mazut-fired thermal electric plants to the back-up capacity of the electric power system as a whole and a portion of these steam plants for conversion to coal consumption.) At the same time, it will be necessary to speed up construction of coal-fired heat and power plants for combined production of power and thermal energy, as well as for construction of facilities to utilize waste heat from conventional steam power plants and nuclear power plants.

#### More Rapid Change in the Structure of Production of Petroleum Products

There should be significant changes over the next 1.5 decades in the production and consumption of petroleum products. It is estimated that production and consumption of mazut should be reduced so that in the year 2000 there is a ratio of 15:85 between mazut and high-quality products. This means that crude petroleum should be used predominantly to obtain motor gasoline, diesel fuel, primary gasoline and the most important products for the needs of industry. In view of the dynamic development of the chemical industry, its needs should be guaranteed in the structure of petroleum products, since they are growing more rapidly than construction of products for energy purposes. It is estimated that the needs of the petrochemical industry will increase to about 4 million tons of primary gasoline in the year 2000, about 1 million tons of which will be returned to refineries for further use.

Consumption of liquefied gas will be oriented above all toward households, the small business sector, the tourist industry and industrial production of products with high unit value, as well as to production processes in which liquefied gas is the most suitable because of its energy and nonenergy characteristics. Natural gas will be oriented predominantly to the chemical industry for the production of ammonia, methanol and its derivatives, and about 2 billion cubic meters will have to be provided for those purposes in the year 2000.

Experience confirms the justifiability of further construction of heating plants to supply thermal energy to industry when consumption of low-temperature heat is sufficiently great to justify installing units to generate electric power, especially when thermal energy consumption is uniform over time.

Achieving this schedule for the production of secondary energy will contribute to eliminating the discrepancy between production and consumption of energy, but it also requires consistent conduct of investment policy in the energy field. This would at the same time make it possible to guarantee larger output of energy from our own sources. To a great extent we are compelled to adopt such an orientation. After all, we must at the same time provide resources for faster development of the overall economy, for intensive development of our own sources of energy, as well as for the necessary importation of energy. In this way future economic and social development will depend to a large degree on the possibilities for solving these problems.

7045

CSO: 2800/447

## DATA ON KOSOVO INVESTMENT PROJECTS, 1974-1984

Pristina RILINDJA in Albanian 11, 12 Jul 84

[11 Jul 84 p 7]

[Excerpt]

(1) Gjendja më 31 mars 1984. (4) (5)			(2) Në 000 din.	
(3) Viti i fill. të ndërtimit	Numri i	Vlera parallogaritare	(6) Tejkallimet Pjesëmarrja	(7)
	objekteve		e tejkall. në	
			vler. paral-	
			logar. %	
Deri më 1974	11	18.102.379	11.833.897	65,4
1975	8	7.128.195	5.492.671	77,1
1976	12	22.230.625	14.433.400	64,9
1977	23	4.682.398	2.560.000	54,7
1978	39	3.460.037	1.239.684	35,8
1979	63	30.424.237	17.091.987	56,2
1980	87	10.279.116	3.246.695	31,6
1981	87	8.659.487	1.655.608	19,7
1982	125	10.196.991	1.428.248	14,0
1983	166	27.929.432	2.016.767	7,2
1984	30	1.155.130	-	-
(8) Gjithsej	651	144.248.127	60.998.957	42,3

## KEY:

- (1) Status on 31 March 1984
- (2) In 1,000 dinars
- (3) Year projects were begun
- (4) Number of projects
- (5) Initially estimated value
- (6) Overruns
- (7) Percentage of overrun in initial value
- (8) Total

[12 Jul 84 p 1]

[Excerpt]

(1) KONSTRUKSIONI I FINANCIMIT TË INVESTIMEVE TË APROVUARA NË PERIUDHËN 1981-1983		
	(13) në milion din	%
(2) -Fondi i Federatës - pjesa e oblig.	58.785,5	58,6
(3) -Fondi i Federatës -pjesa për bashkim	4.163,2	4,1
(4) - Kreditë e jashtme komerciale	2.598,5	2,6
(5) -Kreditë komerciale të vendit	6.148,6	6,1
(6) -Kreditë e jashtme financiare	4.047,0	4,0
(7) -Kreditë e Bankës Ndërkombëtare	8.662,5	8,6
(8) -Kreditë e bankave them. të «Bankkosit»	1.152,5	1,1
(9) -Kreditë e bankave tjera	1.216,4	1,2
(10) -Kreditë e institucioneve financiare	254,4	0,5
(11) -Pjesëmarrja vetjake	12.071,9	12,0
(12) -Burimet e tjera	1.154,5	1,2

KEY:

- (1) Sources of Investment Financing Approved in the 1981-83 Period
- (2) Federal Fund - obligatory share
- (3) Federal Fund - solidarity share
- (4) Foreign commercial credits
- (5) Domestic commercial credits
- (6) Foreign financial credits
- (7) Credits from the World Bank
- (8) Credits from the basic bank of Kosovo
- (9) Credits from other banks
- (10) Credits from financial institutions
- (11) Self-financing
- (12) Other sources
- (13) In millions of dinars

CSO: 2100/59

PLAN TO PROMOTE OILSEED CROP PRODUCTION, 1984-1986

Belgrade SLUZHBI LIST SFRJ in Serbo-Croatian No 30, 8 Jun 84 pp 819-820

[Excerpts] On the basis of the article 135 of the Constitution of SFRJ, the Federal Executive Council, Executive Council of the Parliament of the SR, Bosnia and Hercegovina, Executive Council of the Parliament of the SR Montenegro, Executive Council of the Parliament of the SR Croatia, Executive Council of the Parliament of the SR Macedonia, Executive Council of the Parliament of the SR Slovenia, Executive Council of the Parliament of the SR Serbia, Executive Council of the Parliament of the SAP Kosovo, Executive Council of the Parliament of the SAP Vojvodina, General Association of the Agriculture and Food Industry of Yugoslavia, the Cooperative Federation of Yugoslavia, Federal Union on Prices, and the Business Union of Vegetable Oil and Shortening Producers of Yugoslavia agree on the

Social Compact on Advancement of Oilseed Production for 1984-1986

Article 1

The parties to this Social Compact agree to solve cooperatively the most important problems to overcome the critical situation in oilseed crop and oil production, and to ensure the conditions for the development of the domestic production of edible oils.

The parties to this Social Compact agree, within the scope of their rights and duties, to take steps and actions in the period from 1984 to 1986 to increase production of the oilseed crop by creating new high-yield and highly disease-resistant types and hybrids of oilseed crops, increasing technical and technology levels, as well as areas under cultivation and the average yields to insure increased production of edible oils from domestic raw materials to satisfy our own needs, gradually eliminating imports of raw materials and of raw oil, decreasing imports of protein-based livestock food, and exploiting more completely manufacturing capacity.

Article 2

The parties to this Social Compact agree to undertake appropriate measures and action to carry out programs providing for creation of new high-yield and highly disease resistant types of sunflower, soybean, oil beet and olives, as well as programs for development and production increase of oilseed crop and extending areas for oilseed crop cultivation in republics and autonomous provinces between fiscal years 1983/84 to 1985/86.

### Article 3

Executive Councils of the Parliaments of the Republics and Autonomous Provinces, as parties to this Social Compact, agree to undertake measures and actions for cultivating oilseed crops on 303,686 ha [hectares] in 1984 to insure production of approximately 170,000 tons of edible oil. To achieve this goal, it is necessary to organize production, i.e. sowing of:

- 1) sunflower on 106,000 ha: in SR Bosnia and Hercegovina on 500 ha, in SR Macedonia on 22,000 ha, in SR Serbia without SAP territories on 13,500 ha, in SR Croatia on 10,000 ha, in SAP Vojvodina on 55,000 ha and in SAP Kosovo on 5,000 ha;
- 2) soybean on 137,400 ha: in SR Bosnia and Hercegovina on 8,000 ha, in SR Serbia without SAP territories on 13,900 ha, in SR Croatia on 20,000 ha, in SAP Vojvodina on 95,000 ha and in SAP Kosovo on 500 ha;
- 3) oil beet on 60,286 ha: in SR Bosnia and Hercegovina on 6,000 ha, in SR Macedonia on 10,200 ha, in SR Slovenia on 874 ha, in SR Serbia without SAP territories on 3,780 ha, in SR Croatia on 19,339 ha, in SAP Vojvodina on 16,335 ha and in SAP Kosovo on 3,758 ha;
- 4) other oil seed crops to obtain 8,200 tons of vegetable oil, 4,000 tons of which should be olive oil.

Executive Councils of the Parliaments of the Republics and Autonomous Provinces, as parties to this Social Compact, agree to undertake measures and actions for cultivating oilseed crops on 363,450 ha in 1985 to ensure production of approximately 220,000 tons of edible oil. To achieve this goal, it is necessary to organize production, i.e. sowing of:

- 1) sunflower on 130,500 ha: in SR Bosnia and Hercegovina on 1,000 ha, in SR Macedonia on 22,500 ha, in SR Serbia without SAP territories on 12,000 ha, in SR Croatia on 15,000 ha, in SAP Vojvodina on 75,000 ha and in SAP Kosovo on 5,000 ha;
- 2) soybean on 145,750 ha: in SR Bosnia and Hercegovina on 12,000 ha, in SR Serbia without SAP territories on 18,000 ha, in SR Croatia on 20,000 ha, in SAP Vojvodina on 95,000 ha and in SAP Kosovo on 750 ha;
- 3) oil beet on 87,200 ha: in SR Bosnia and Hercegovina on 8,000 ha, in SR Macedonia on 12,000 ha, in SR Slovenia on 1,200 ha, in SR Serbia without SAP territories on 7,000 ha, in SR Croatia on 25,000 ha, in SAP Vojvodina on 30,000 ha and in SAP Kosovo on 4,000 ha;
- 4) other oil seed crops to obtain 12,000 tons of vegetable oil, 8,000 tons of which should be olive oil.

Executive Councils of the Parliaments of the Republics and Autonomous Provinces, as participants of this Social Compact, agree to undertake measures and actions for cultivating oilseed crops on 459,000 ha in 1986 to ensure production of approximately 300,000 tons of edible oil. To achieve this goal, it is necessary to organize production, i.e. sowing of:

1) sunflower on 186,500 ha: in SR Bosnia and Hercegovina on 1,500 ha, in SR Macedonia on 23,000 ha, in SR Serbia without SAP territories on 16,000 ha, in SR Croatia on 20,000 ha, in SAP Vojvodina on 120,000 ha and in SAP Kosovo on 5,000 ha;

2) soybean on 168,000 ha: in SR Bosnia and Hercegovina on 15,000 ha, in SR Serbia without SAP territories on 20,000 ha, in SR Croatia on 22,000 ha, in SAP Vojvodina on 110,000 ha and in SAP Kosovo on 1,000 ha;

3) oil beet on 104,500 ha: in SR Bosnia and Hercegovina on 10,000 ha, in SR Macedonia on 14,000 ha, in SR Slovenia on 1,500 ha, in SR Serbia without SAP territories on 8,000 ha, in SR Croatia on 27,000 ha, in SAP Vojvodina on 40,000 ha and in SAP Kosovo on 4,000 ha;

4) other oil seed crops to obtain 15,000 tons of vegetable oil, 9,500 tons of which should be olive oil.

12711

CSO: 2800/417

# LACK OF PRODUCER GOODS, PARTS LIMITS AUTO PRODUCTION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 21 Aug 84 p 4

[Article by Ljubica Todorovic: "Normalization of Supply--A Precondition for Successful Business Operation"]

[Text] The operating results of automobile manufacturers in the first quarter of this year are encouraging in view of the numerous difficulties and lead to the conclusion that better days are heralded for producers both on the domestic and foreign markets. A precondition is normalization of supply of the necessary producer goods and parts to be installed. This, however, will require great efforts since in this period a shortage of certain key producer goods and parts has been recorded. As a consequence of this situation automobile production has been uneven from month to month, and difficulties have arisen with a shortage of certain materials and parts in either the initial or the final phases of production.

## Tires, Sheet Metal and Plastics Are the Products in Shortest Supply

Since the beginning of the year the greatest difficulties in supplying assembly plants have occurred because of the shortage of tires, sheet metal and plastics. Because of the shortage of cord supplied by "Viskoza" of Loznica, the tire producers, "Tigar" in Pirot and "Miloje Zakic" in Krusevac, have been unable to meet their obligations to "Crvena Zastava" Plants. The tire manufacturer in Krusevac was forced to halt production for a time, while "Tigar" had to cut back considerably. After the raw materials were supplied for resumption of production, delivery of tires to "Crvena Zastava" began once again. However, these deliveries have been insufficient to cover normal finishing operations at "Zastava."

During the first quarter, and the same tendency has continued in the second, sheet metal deliveries were restricted. For example, the automobile factory in Kragujevac did not receive a single kilogram of sheet metal during March, so that sheet metal inventories at the end of the first quarter were reduced to 7-day consumption. This problem has been partially solved by contracts on deliveries from abroad. That is, purchases have been made in Austria, Italy and FRG.



Aside from these producer goods, problems have also arisen in production because brackets for batteries (at the end of March), glass, thermal switches and stoplight switches, and linings for the rear column [stub] for the "Jugo."

When problems also arose with deliveries of certain imported parts, our largest passenger car manufacturer--the "Crvena Zastava" Plants--decided on substitution of imported parts. For example, the share of imported parts in the Zastava 101 is to be reduced from the present 2.6 to 1.12 percent. This program is to be carried out by the end of this year. Imported parts will have a still smaller share on the "Jugo" model, only 0.9 percent.

A precondition for fulfillment of this plan is that all subcontractors of "Crvena Zastava" join in carrying it out, specifically through quality manufacturing of the parts which will no longer be imported. The lack of foreign exchange and quality materials are the principal obstacle to discharging obligations. At the same time, some of the subcontractors have turned to exporting, so that a replacement must be found for them as well. Should it not be possible to find them within the country, steps are being taken to purchase these parts abroad on the basis of compensation deals. At the same time, measures are under way in order to regulate relations with all participants in the production process.

The question of regulating relations with other participants in the production chain is related to the functioning of the "Zastava" Business Community, which brings together about 100 participants in the production, sale and maintenance of vehicles. Back in 1982 an accord was signed on linkage based on income sharing, but it has not been carried out in practice. The accord called for calculating the share in joint revenues instead of the conventional prices for parts, and the price of the phase of operation was to be applied. It is precisely here that the disagreements arose, since certain participants wanted to take advantage of the favorable position they are in at the moment and to include this in the price. The assembly of the business community called for a written declaration of the various subcontractors on implementation of the income-sharing arrangements, and in March four organizations of associated labor made such statements: "Crvena Zastava" of Kragujevac, "Jugoplastika" of Split, "Rudi Cajavec" of Banja Luka and "Fadip" of Becej. It is gratifying that these collectives have a 64-percent share in the value of the vehicle's manufacture.

These problems have been a limiting factor in fulfilling the plans of the various automobile manufacturers. And although automobile output rose 34 percent in the first quarter of this year compared to the first quarter of 1983, that was not enough for all the plans of the manufacturers to be fulfilled. Thus "Crvena Zastava" recorded an output 7 percent short of the plan. The most important reason for this was the inadequate output of the Zastava 101 (15 percent short) and the "Jugo" model (18 percent short).

#### Greater Orientation Toward Exports

Shipment of vehicles was slowed down in this period because they were not complete. At the beginning of March there were 7,000 incomplete vehicles on the

grounds of the Kragujevac producer alone. Still, this was less than in the same period of the previous year, when 10,000 automobiles were waiting to be shipped. The purchase of the necessary parts have reduced inventories in succeeding weeks, so that their volume is considerably below the usual quantities at this point over the last several years.

In the first quarter "Zastava" produced 54,363 vehicles, 76.8 percent of which were made from domestic parts. A growth was also recorded in production of vehicles from domestic and imported parts, but it was more intensive for the former group of products. The increased output was accompanied by still more intensive growth of sales, along with a considerable reduction of inventories.

The 3-month balance sheet of "Crvena Zastava's" import-export activity is characterized by a fast increase in the value of exports compared to the first quarter of last year. Thanks to these growth rates of exports and imports (exports rose 58.3 percent and imports 43.6 percent), the degree of coverage of imports by exports rose 10.6 percent, so that it has now reached 105.7. This indicates that "Crvena Zastava" has a surplus in its foreign trade.

Products were exported to markets already established (Great Britain, Egypt, India, Greece and other countries), but there are also new customers in the offing. Thus "Zastava" has delivered 500 Zastava 101 automobiles to the Chinese market. Another 500 vehicles are to be exported to that market before the end of the year. This is probably only the beginning of cooperation with Chinese trading partners after the successful results in testing "Zastava" vehicles. There are also prospects for expanding cooperation with trading partners from Bulgaria under a contract on industrial cooperation. Bulgarian industry is ready to invest in industrial cooperation, since it has no interest in developing motor vehicle assembly. The Bulgarian trading partners, on the other hand, would be able to produce for the Yugoslav market truck chassis, tires, electrical equipment, and diesel motors for the Zastava 103 vehicle.

#### There Will Be Changes in the Structure of "Zastava's" Exports

"Zastava" has envisaged still greater changes in the structure of exports and imports. The work organization "Montaza," of the "Zastava" Motor Vehicle Factory in Zagreb, has ceased operations, so that the Fiat 132 will no longer be assembled there. This decision was imposed by economic considerations, since it was found that it was more profitable to import this vehicle from Italy under a contract on industrial cooperation. Assembly of the andjenta (?) and Regatta has already begun.

During the first 3 months of 1984 the "Zastava" Factory sold 8,611 automobiles on the foreign market. Still this was not enough to fulfill the plan. The anticipated exports of the Yugoslav manufacturers were considerably greater this year than last. Thus the plan called for exporting 47,170 automobiles produced by "Crvena Zastava" and 20,500 Renault 4 automobiles by the manufacturer in Novo Mesto. Fulfillment of these plans depends directly on regulating the supply of the necessary parts and producer goods.

7045

CSO: 2800/458

DECLINE IN TRUCK, BUS PRODUCTION DISCUSSED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 21 Aug 84 p 4

[Article by Lj. T.: "Short of the Planning Targets"]

[Text] Truck manufacturers cannot be satisfied with the results achieved in the first quarter of this year. A significant drop in the volume of output was recorded precisely in the production of the leading groups of trucks manufactured from domestic parts and buses. The principal reason for these difficulties is a problem already well known--the supply of the necessary producer goods and parts. The inappropriate functioning of the chain of reproduction is manifested in the uneven production in the finishing phase.

Vehicle manufacturers complain of a shortage of even those parts which up to now have not created any great difficulties for production, aside from the already standard troubles with certain products of subcontractors and imported products. Along with that, they are aware that the already inadequate economic position has deteriorated because of the price freeze at the end of last year. The price discrepancy between inputs and outputs causes illiquidity, and the shortage of foreign exchange is the reason for the poorer supply of imported raw materials for both finishing plants and their subcontractors. In certain organizations such as TAM of Maribor this was especially pronounced in the first months, and then somewhat more favorable results were achieved in the next month through intensified efforts. Nevertheless, TAM's total assembly of vehicles after the first 2 months remained 25 percent below the targets, and finishing was 45 percent lower than a year ago. After that a somewhat better pace has been kept in fulfilling plans.

The position of truck producers also depends on the accumulative capability of users of their vehicles, and since it is continuing to deteriorate, this is reflected in the deterioration of the position of manufacturers of these vehicles.

Significant Drop in Truck Production

In the production of trucks, which consists almost entirely of domestic parts, a drop in the volume of output of all of 29 percent has been recorded. The market was offered 3,161 trucks, only 32 of them manufactured from imported parts. The structure of the output of trucks with respect to load capacity was as follows in the period January-March:

<u>Type of Truck</u>	<u>Number of Trucks</u>	<u>Share, %</u>
Trucks under 2-ton capacity	394	12.5
2-5-ton trucks	1,878	59.4
5-7-ton trucks	252	7.9
10-ton trucks	572	18.1
20-ton trucks	<u>65</u>	<u>2.1</u>
Total	3,161	100.0

If the pace of production in the first quarter is continued throughout the year, and the present problems are not removed at least partially, plans of truck manufacturers will be in serious jeopardy. TAM and "Crvena Zastava," two of the three largest truck producers in the country, have planned to increase both the volume of output and also the volume of exports. "Crvena Zastava" has planned to produce 5,100 trucks in 1984, in which small trucks would have the dominant share. TAM of Maribor has a plan calling for an output of 9,195 trucks. Under industrial cooperation with FIAT, the "Crvena Zastava" Plants will deliver about 4,000 light trucks to that manufacturer.

The main difficulty in fulfilling plans in the first months of this year was the shortage of certain materials and parts which were experienced both by assemblers and subcontractors. This was especially manifested in the supply of steel, plastics, tires, paints, graphite paste to cover pistons, and there were also problems in the supply of bearings, assembly parts, wheels, and so on. Thus certain subcontractors were unable to meet their own obligations, and at others there was a drop in quality caused by poorer materials because of substitution of domestic materials for imported materials.

The problems in production also had an impact on the results of exporting. The volume of trucks exported was down 7.4 percent from the first quarter of 1983. "Crvena Zastava" had the largest share (80 percent) in exports because of the light trucks it exported to Italy. Other manufacturers turned toward exporting to the East European countries and developing countries.

By contrast with exports, imports have the opposite structure in terms of the share of the various types of trucks; that is, large-capacity trucks imported from the convertible area are predominant. The table below surveys the structure of exports and imports over the period January-March 1984:

<u>Type of Truck</u>	<u>Exports, %</u>	<u>Imports, %*</u>
Light trucks (1-3 tons)	79.2	11.8
Medium-capacity trucks (3-5 tons)	8.2	--
Heavy trucks (over 5 tons)	<u>12.6</u>	<u>88.2</u>
Total	100.0	100.0

\* The structure of imports also includes trucks delivered in the form of parts for assembly, which represent 43.4 percent of total truck imports.

### Shortage of Parts Hinders Bus Production

The production of buses from domestic parts in the period January-March 1984 achieved a level of only 58 percent of output in the same period of last year, while the lag in production of buses through assembly of imported parts was 15 percent of what it was a year ago. By contrast with truck production, assembly of bodies on chassis predominates in bus production. That is why almost all imports consist of chassis for buses produced in FRG.

Difficulties in fulfilling manufacturers' plans arise from the same factor as in truck production. The impossibility of obtaining timely and appropriate supply of materials and parts (seats, glass, and so on) is creating lasting problems in production. Instead of the anticipated growth of production, in the first quarter of this year only 283 domestic buses and 406 buses manufactured from imported parts were produced.

### Production by Types

<u>Bus Type</u>	<u>Domestic Production</u>	<u>Assembly on Chassis</u>
Intercity buses	26	140
Excursion buses	31	193
City buses	132	13
Suburban buses	<u>89</u>	<u>60</u>
Total	283	406

Exports, which have mostly gone to the developing countries, have doubled over the first quarter of last year. The entire export figure consisted of sales of city buses. The further diversification of exports is a constructive phenomenon. This orientation is characteristic of TAM's breakthrough onto the market of Saudi Arabia. This year this manufacturer managed to sell another 210 buses, and at the same time signed a 5-year contract on representation with the firm Alesayi.

The doors were opened to this arrangement by last year's sale of 200 buses, which demonstrated very good performance in operation. These successes and arrangements with the firm Alesayi, which is taking over responsibility for selling vehicles on this market, guarantee TAM's quite lengthy presence in Saudi Arabia. That is, the trading partner has committed itself to doing an annual business of at least \$4 million, so that over 5 years TAM can count on certain sales of \$20 million.

This move indicates that far better results can be achieved abroad if a more long-term approach is taken to a market and a sales policy is defined.

7045

CSO: 2800/458

NEGATIVE RESULTS OF INCREASED EXPORT OF RAW MATERIALS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 14 Aug 84 p 2

/Article: "Export and Import of Raw Materials and Relations Between Producers and Processors For Greater Foreign Exchange Effect"]

/Text/ There is still not sufficient insight into the negative consequences of increased export of raw materials and unfinished goods in relation to the export of finished products. Unfavorable semi-annual payments balance as a new warning. Agreement of textile producers as a marker on how to regulate relations between producers and processors in distribution of foreign exchange revenue.

This year's movements in foreign trade show continuing increase in the export of raw materials, often even of those products which are scarce in domestic industry. Warnings for this negative tendency were received already last year but are more pronounced now.

"I think that now it is necessary to work more on enabling the associated labor for the largest possible placement of merchandise abroad, especially finished goods"--said recently /ing./ Antun Milovic, President of the Croatian Chamber of Economy. "So, no raw materials and unfinished products. It is certain that we shall formulate a concrete proposal for the coming year to levy some sort of tax on the export of raw materials and unfinished goods, while giving incentives for the delivery of finished products. ...In the present situation, we suffer double damage."

Unfavorable Structure

Very little can be subtracted or added to these words. That it is actually so is shown by semi-annual data in relation to the same period of last year; the share of raw materials and unfinished goods was increased in total export from 44 to 52 percent. Simultaneously, export of unfinished goods showed an increase of 18 percent, and of finished products less than 2 percent. To this should be added that the decrease from 79 to 70 percent in the share of regular exports was also noticed in terms of compensatory business and other forms of trading.

Without entering into all the details of export structure, this year's incomplete semi-annual data show in comparison with the first six months of the last year an increase in export noted in almost all types of cut building material and cellulose, as well as bauxite and clay, paper and cardboard, different yarns, ferrosilicon and ferrochromium, non-alloyed raw aluminum, zinc and untreated alloys, and so on. It was noted, for instance, that in the first six months of this year, the steel mills exported almost twice the amount of products than in the period January-June of the year 1983, while the industry for metal refining, mainly due to insufficient supply of black metallurgy products, realized lower exports by about 7 percent. If this situation continues, estimates of the General Metal Industry Society of Yugoslavia points out that the planned exports of \$4.5 billion this years will be in danger and most probably will reach the value of some \$4-4.1 billion.

It would be all right if misunderstandings existed only between steel mills and steel processors (steel mills export steel at lower prices of up to 40 percent and require foreign exchange participation, while simultaneously the metal processors import steel products at higher prices). Something similar is occurring in relations of suppliers of cut building materials with manufacturers. Due to uncoordinated relations, Matres-Sremska Mitrovica alone imports every year from Hungary 225,000 m of lumber, while simultaneously the same or similar raw material is being exported. An artificial rubber plant was built in Zrenjani, but rubber continues to be imported and exported. Etc., etc.

In the General Association for Forestry, Wood Processing and Trade of Croatia, it is being projected that in the next period, the export of trunks and large lumber will decrease gradually "due to domestic needs." So will, among others, decrease the share of cut building material in total export, which was up to now about 36 percent, and mainly "due to needs of finished processed wood." The tendency in Slovenia is increasingly to give priority to the export of finished products.

#### Looking for Solutions

It is quite certain that such export structures, especially from general social interests, cannot be maintained nor supported any longer. Solutions should be sought, among other, in united actions, and negotiations of suppliers and manufacturers. On that basis, the textile industry is achieving increasingly better results in exports. Agreements between yarns and fabrics producers and producers of ready-made clothing have already been in existence for two years to mutual advantage because through the export of textile products everybody gains in proportion to their share also certain amount of foreign exchange. This year, such understanding will make possible to gain from exports

about \$1.2 billion, while planning through 1990 projects noticeable increase of exports based on the higher production of domestic wool, cotton, hemp and silk. It is estimated that through the year 1990, with considerable reduction of raw materials' imports, the export value of textiles and textile-derived products will reach about \$2.1 billion.

In Bosnia and Herzegovina. "Shipad"-Sarajevo, with its organizations of associated labor is also trying to increase export of finished products. That these efforts are realistic is also demonstrated by the example of the Trade Organization of Wood Industry and Forestry "Shipad Vrbas" in Banjaluka, whose furniture share in total exports for the year 1980 was 37 percent, but last year was 43 percent.

Besides these and similar examples in the lumber industry sector ("Simplo"-Vranje, "Javorak"-Nikshitch, "Jedinstvo"-Bor and others), other industrial branches are also trying to obtain the optimal financial effect through the export of finished products. Such efforts are increasing but there is still no broader action for more rational utilization of domestic raw materials for the needs of export. That points to the conclusion and need for a complete and detailed analysis of utilization of raw materials on the basis of mutual agreements and interests of suppliers and manufacturers. If single raw materials, for this or that reason, should be exported temporarily, then such solutions must be based on both economic interest and social needs. By contrast, to export at lower and import at higher prices, while simultaneously not utilizing the existing production potential is certainly a gross miscalculation. With that come all the consequences of the increased export of the raw materials and reduced export of finished products--for society in general as well as for the single working enterprises.

12711

CSO: 2800/449



MEAT, LIVESTOCK EXPORTS IN FIRST HALF OF 1984

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 21-23 Jul 84 p 12

[Text] Meat, meat products and livestock exported during the first six months of this year amounted to \$186,757,000. Of that amount, \$160,359,000 were exported to the convertible market and \$19,398,000 to the clearing area. In comparison with the same period of last year, the export index comes to 98.14. These data were presented at the press conference by Milan Njegomir, general director of the Fund for Advancement of Production and Marketing of Livestock and Livestock Products (STOFO), Belgrade.

In the export breakdown, the highest in value is veal with \$45.5 million, followed by live calves for \$19.5 million, meat of small livestock for \$15 million, horse meat for \$14 million and live small livestock for \$944,000. The value of the exported canned pork meat was \$43,747,000, and of canned beef \$1,220,000.

The biggest exporters of meat from Yugoslavia are Italy (having imported \$10.9 million during the first six months), followed by US with \$18 million (canned pork) and USSR which imported canned pork for \$23.5 million. Regarding the Greek market, Njegomir pointed out that the possibility of increased meat export to that market is being studied. The plan for exchange of goods between those two countries anticipated meat exports to Greece of 7,320 tons, but during the first six months exports of only 1,072 tons were actually made. An agreement was reached with the Greek Ministry of Economy to examine over the next 30 days the possibilities for improvements of our exports.

Negotiations are almost completed for the export of 10,000 tons of frozen and 10,000 tons of fresh veal to Iran. Regarding the Middle East market, the deal has been concluded for the export of 5,000 tons of "baby beef" to Jordan.

On the world meat market, incidentally, there is a fierce competition leading to meat sales at reduced prices. To quote one example, the FRG sells a ton of meat to Iran for \$1,400, although the usual price is \$2,000, while dumping prices are also offered by the French and Bulgarians, said Njegomir.

At the press conference, the livestock feed imports were also discussed. In the first 6 months of the year, 30,968 tons of fish flour, 48,353 tons

of soybean buckshot and 77,000 tons of soya in grain were imported. A shortage of livestock feed on the market is still felt, however, and efforts are under way to import increased amounts. Concerning the general situation of cattle raising and meat production, Njegomir pointed out that Fund's Committee for Import and Export suggested to appropriate authorities complete meat import embargo of any type until its market position improves and, once this is accomplished, to do it in the future exclusively through the Fund.

#### Export Trade With USSR

By the end of the year, meat products in the value of \$22.5 million will be exported to the USSR market. The amounts involved are 6,000 tons of canned pork and 900 tons of cold cuts. This deal, NJEGOMIR mentioned, was concluded between the Fund and "PRODINTORG" from USSR and will be completed by the end of the year. It was also agreed with the Soviet partner to initiate preparations for the year 1985, so that all the questions of placing our meat on the Soviet market are concluded by the end of this year. At the same time, an increase in the amounts and assortments will be taken in consideration.

12711

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CUSTOMS TARIFF SYSTEM CRITICIZED

Belgrade KOMUNIST in Serbo-Croatian 3 Aug 84 p 5

[Article by Milan Treshnyitch: "Stereotyped and Bureaucratic Criteria"]

[Text] The latest customs exemptions which became effective on July 7, essentially do not contain anything new, especially in regard to criteria and conditions to be eligible for them. They are now a simple and common adaptation to differences in the exchange rate of the dinar in relation to hard currencies, as well as to the price increases for articles and goods in our country. So, the returning worker, instead of 100 thousand as earlier, can import according to the new rules furniture and goods for up to 165 thousand dinars duty-free. Instead of the previous limit of 170 thousand, he can now import duty-free household appliances or agricultural tools for 280 thousand dinars. When returning to the country, the worker who had worked abroad for at least two years can, during three consecutive years every time he re-enters the country bring or import duty-free articles valued at 15,000 compared with the earlier amount of 8,500 dinars.

All this is in those most recent customs "exemptions" that, are not actually going to gladden the hearts of returning workers. Customs policy towards them remains, as before, rigid, burdensome, step-motherly and basically unfair. Even more, it is extremely devoid of incentives and as if calculated with its provisions to turn away people from returning to their country or as if it were inducing them to remain working the longest possible time in foreign lands.

Why is the "indispensable condition" (conditio sine qua non) to become eligible for the customs exemption a period of precisely two years of working and residing abroad? Why are, consequently, customs privileges higher when the period is more than two years? Why? Why so schematically and bureaucratically?

The customs policy towards the returning workers is not based, for instance, on the fact of linking the privileges to workers' remittances from abroad, i.e. to the amount which they have sent into the country and so replenished our social coffers with foreign exchange. Recently, information was published in the press that foreign remittances of our

workers abroad cover more than 45 percent of our yearly foreign exchange needs! Then, should that not be taken as a proper and fair criterion rather than the length of stay and employment abroad? And could that not be a way of repaying those members of our society who have sent their hard earned money from working for foreign employers with full confidence to their country. This way, we equalize all "gastarbeiter," (guest workers) in becoming eligible for customs exemptions, which is not fair from any point of view regarding our social interests and needs. Otherwise, it would be more logical and rational to remove barriers of that ill-conceived two-year period and not to consider the value of merchandise, i.e. equipment, tools and machinery with which the returning workers plan to join the social sector, to add to it their equipment or to work along with it. According to a recent poll of the Zagreb Center for Research of Migratory Movements, 47 percent of workers who anticipated their return in the current year, wanted to incorporate their savings and know-how precisely into the social sector. These individuals have at their disposal, on an average, some DM 100,000 (West German marks). There are more than 80 thousand of them returning.

This, of course, does not have to be the only condition of eligibility for the customs exemption, i.e. its incorporation into the social sector. It should be made possible for the returning worker to import duty-free, all equipment, all tools and machinery regardless of their value if that is going to be used in his job and work in the country; if this can help increase the production output and working productivity of our economy in general, but particularly if such duty-free import makes attaining a higher level of employment possible. We are constantly afraid of wealth or of individuals getting rich in the "private sector." We are afraid of some "capitalistic" elements because we think bureaucratically, sectarianly and even spitefully.

Customs policy must protect our domestic economy and production, and not hinder its development or to restrain it. Talking about returning workers, the customs policy towards them should be through its provisions, regulations and granting of exemptions in the most direct function of measures for achieving our economic stabilization, including in it also their own employment. The other way, with fixed sums up to which values could be figured for customs exemptions, we are actually making it impossible to bring in and import into our country and its economy the most modern tools, machinery and equipment.

Finally, why should "gastarbeiter" be treated the same as the citizens of SFRJ (Socialist Federal Republic of Yugoslavia) who were not "temporarily working" abroad but were at working places outside their country: in diplomatic-consular agencies, in foreign branches of the Yugoslav Economic Chamber, Tourist Federation, JAT (Yugoslav airline), banks and international trade network, our firms and representations? Did they not enjoy sufficient privileges for being

over two years in "foreign exchange pasture?" Do they not have enough money to buy, for instance, furniture in Yugoslavia and all those articles which can be found on the lists for claiming the customs-exempt status? To this category, however, may be given similar exemptions only for the "personal luggage" items, i.e. articles and merchandise for personal use. Why, for instance, grant customs exemption for the white and grey appliances when we have enough of them on our market? If someone, however, wants foreign goods, they should pay the duty for it. In general, why should customs provisions and custom policy discriminate among citizens, putting some in a more favorable and others in a less favorable position? Such discrimination is shown most clearly in comparison with the "gastarbeiter" who are returning home permanently. Regarding foreign service officials, tradesmen and various representatives, they "rotate more often:" they are abroad four years, then about two years in the country, and again abroad. This, by the way, for several tours of duty, and every time: "if they were abroad at least two years, they become 'eligible' for customs exemption."

12711

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## BRIEFS

POLLUTED BOSNIAN RIVERS--Capljina, 8 August--The river Neretva, the beauty which has resisted ecological accidents the most, was carrying dead and half-dead fish at the end of July. Fish were floating down the river an entire night before the alarm, which came in from Capljina on 25 July (we wrote about that). The disastrous fish kill on the Neretva has unfortunately not been an isolated case on the rivers of Bosnia-Herzegovina. The Ljevcnica, a river rich in flora and fauna in Srbac Opstina, which also supplies its clear water to a 300-hectare fish pond on the Bardaca, looked like a river of death at the beginning of August. The loss would have been incomparably greater if it had not been for Boze Ristic, an amateur fisherman, who noticed the kill of fish, and Sime Balaban, who prevented the polluted water from entering the large fish pond mentioned above. At almost the same time as the Ljevcnica, stunned and dead fish were also floating on the river Bosna. At present no one is taking--and unfortunately no one is even seeking--accountability for these three real ecological accidents. Nor has there been an official report on the damage and consequences, except in Srbac. But the identity of the offender ought to be known. Who is to return life to the rivers and who will pay damages to the association of amateur fishermen, who are setting aside immense amounts of money to stock the rivers with fish. It also appears that only the fishermen are interested in the rivers. As far as we were able to learn, it will take at least another month for analysis of the fish from the Neretva! Of course, the procedure does not last that long--that would indeed be disastrous. The fish have been frozen and they are waiting for the end of annual vacations at the School of Veterinary Science at Zagreb University! In the meantime one thing is certain: the rivers are without life, and the offenders are nameless. Our elementary lack of concern and irresponsibility toward our own environment has again come to the surface. It would also be instructive to put the question of whether this can be the case, especially at a time when we are demanding accountability from everyone and at every place. [By A. Dragicevic] [Text] [Belgrade BORBA in Serbo-Croatian 9 Aug 84 p 12] 7045

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